

FINANCIAL TIMES

War and peace How Kohl stirred up a storm an Davidson, Page 10



But not in Japan, please

Technology, Page 20

Spanish inquisition

The scandals and the judges



North Korea

Famine sends a warning

block BA

Heathrow

The Clinton administration will block attempts by British Airways to form fresb alllances

with US carriers unless the UK grants the US freer access to London's Heathrow airport.

Senior US officials say any moves by BA to conclude a code-

sharing agreement with American Airlines or to increase its 24.6 per cent stake in USAir

would be unlikely to be approved

unless the UK government is pre-pared to renegotiate the coun-

tries' bilateral aviation treaty.

Talks on a new aviation agree-

ment broke down last year over

access to Heathrow. The UK offered a small increase in the

number of flights by US airlines,

but the US government rejected the offer as inadequate.

US negotiators in the failed talks say London was not pre-

pared to make concessions on

Heathrow because it did not, at

that point, want anything in return. The US believes any attempt by BA to conclude a US alliance would provide it with leverage on the Heathrow issue.

A senior US official said: "It's

unfortunate that our relation-ship, which is one of the stron-

without

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in Singapore

World Business Newspape

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WEDNESDAY FEBRUARY 7 1996

Jaguar lays off up to 2,200 workers after US orders fall

Jaguar, the luxury UK carmaker owned by Ford, said it would lay off most of its 2,200 production workers for a week to reduce stocks of unsold cars. The company blamed the stoppage mainly on lower sales in the US, its biggest market. It said it bad no plans for further short-term lay offs or redundancies. Japuar's move supprised analysis as it fol. cies. Jaguar's move surprised analyats as it followed optimistic sales figures last year. Page 12 and Lex; Hopes for tax cuts. Page 8

Spanish murder fuels poll violence fears: Fears of a resurgence of Basque violence during the Spanish general election campaign escalated when the brother of a Socialist MP was murdered on a San Sebastian street. Page 3

Muol aignals Vietnam leadership changes



Vietnam's Communist party must recruit younger people to top positions, according to Do Muoi (left), the party leader, in an apparent signalling of a generational change in the country'a leadership. Muoi, who also indicated that future leaders must have a better under-

standing of economics and technology, is understood to have decided to step down at a party congress around June when the country's economic reform programme will be reviewed. His retirement is likely to have a knock-on effect in the party leadership. Page 12

Universal Studios plans new thome park: A \$1.6bn theme park starring cinema favourites is to be built in Osaka, Japan, through a joint venture which combines the talents and financial power of Canada's MCA entertainment group, Britain's Rank Organisation and Japanese investors. The scheme marks the first overseas venture by Universal Stu-dios Recreation Group, Page 12

US budget agreement 'within reach': President Bill Clinton and Senator Bob Dole insisted that a balanced budget agreement was within reach in the light of new policy proposals agreed by the nation's governors. Page 4

Yeltsin's former press secretary criticised; sin's former press secretary for revealing a compromising glimpse of life in the Kremlin in a forthcoming book, Page 2

Johnson Matthey expands in US: Johnson Marchey, the precious metals and engineering technology group, underlined the strategy of expanding its electronic materials business with the \$40m purchase of the circuit board manufacturing operations of Cray Research, the US computer

Warning for Europe from Asian delegation: An Asian delegation arriving in Rome for two days of preparatory talks on next month's aummit between European and Asian leaders is carrying a stern warning about raising delicate issues such as human rights and democracy. Page 6

Allied Domecq issues second warning: A second profits warning in seven months from Allied Domecq heightened resentment in the City of London towards the international drinks and retailing group, prompting sharp downgrades and fears of a dividend cut. Page 13

London & Continental Railways, the favoured bidder for the £3bn (\$4.5bn) English Channel tunnel high-speed rail link, is negotiating the final details of the package required to clinch the deal, according to rail industry managers close to the bid.

Modoya withdraws from Germany: Medeva, the acquisitive pharmaceuticals company, has withdrawn from Germany and the oncology market with the disposal of Ribosepharm, its cancer drug business. Page 19

Uproar ever gas chief's retirement: Uproar over the retirement package for Cedric Brown, British Gas'a departing chief executive, overshadowed the company's plan to split itself in two. Page 13

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O THE FINANCIAL TIMES LIMITED 1996 No 32,902 Week No 6

Boutros Ghali implores members to pay up and offers cut in US dues | US set to

UN chief warns of imminent bankruptcy

By Michael Littlejohns in New York and Bruce Clark in London

Mr Boutros Boutros Gball, tha un ascretary-general, yesterday implored the uS and other mambers to pay their dues to the world body and stave off the imminent prospect of its financial collapsa.

In a new proposal to solve the worst cash crisis in the UN's 50year history and leasen opposi-tion in the US Congress, he also proposed that Washington's con-tribution be cut from more than 25 per cent to 15 or 20 per cent. But Mr Boutros Ghall, while warning that staff cuts at tha 10,000-strong UN secretariat were inavitabla, stopped short of

ate axing of over 1,000 posts, "The financial crisis has brought the UN to the edge of insolvency," he told a UN finance committee, adding that he would appeal to every dabtor nation to provids him with a timetable for settling its arrears.

endorsing a plan by his chief financial officer for the immedi-

have already been felt at the UN headquarters in New York.

headquarters in New York.

The 300-strong Dopartment of Peace-Keeping Operations, which runs blue-heimet missions in 16 of the workl's troublespots, has been told to avoid long-distance telephone calls and to prepare for a 15 per cent cut in staff levels.

Mr. Lessph. Compare the Jib's Mr Josaph Connor, the UN's

week that on present trends, the UN's cash position would begin a "deep, continuous decline" in mid-1996, leading to bankruptcy by the end of the year. The UN faced debts of \$2.3bn at the end of last year. of which the US owed \$1.2hn, The secretariat has only managed to kasp functioning in recent months by

financial manager, warned this

source of funding could run out Most of the US arrears reflect tha reluctance of the US Congress to finance peacakeeping operations

dipping into a separate account

for UN peacekeaping, and Mr Connor has warned that this

Tha UN currently charges the US for 25 per cent of its general The effects of the cash shortfall



Boutros Bontros Ghall warned that staff cuts at the 10,000-strong United Nations secretariat were inevitable and added: 'The financial crisis has brought the UN to the edge of insolvency

budget and 31 per cent of the cost of peacekeeping. However, Congress bas forbidden the administration to pay more than 25 per cent of peacekeeping costs. Mr Boutros Ghali, in a bid to

parry the bostility of US legislators, suggested a limit of 15 or 20 per cent on the regular budget contributions of any member state, Such a ceiling "would bet-ter reflect the fact that this

organisation is the instrument of all nations", be said.

He also proposed a special ses-sion of the UN General Assembly, before its regular meeting this autumn, to deal exclusively

with the debt crisis. However, diplomats at the UN said it was far from certain that the prospect of a lower contribution would be enough to soften US Congressional hostility. Last

the fact that the westward spread

of the Russian mafia has bad less

impact on the leval of criminal

activity in Switzerland than in

But other police agencies are worried that banks dominated by

the Russian mafta are increas-

international financial centres.

ingly interested in setting up in

They fear that western authori-

ties are reluctant to stand in

their way in case western finan-

Austria and Germany.

month's proposals by the European Union for a new system of calculatiog contributions, with Japan paying far more and the US somewhat less, have received a cool response in Washington. Previous US administrations

have rejected proposals for a reduction in their contribution on the grounds that this would mean a reduction in US influence over the organisation.

cial institutions are in turn pre-

vented from setting up in Russia.

resemble the settling of scores in

the criminal underworld in the

west, but in Russia violence is a

pervasive part of the developing

capitalist culture. A weak and

corrupt police force and the lack

of enforceable contracts have

bred an environment in which

businessmen are regular victims

of gangland-style assassinations.

I need a couple of raincoats

cleaned overnight."

Moscow's business killings

gest in the world, is based, in the aviation field, on the coarsest kind of borse-trading." He said tha US government believed that it had an "understanding" that greater access would be granted to US carriers: "That hasn't been fulfilled."

Over the past year, the US has concluded open skies agreements with nina smaller Enropean countries. Last week, it reached a preliminary open skies agreement with Germany.

Last month, BA said it bad decided not to increase its stake in USAir, which has had difficulty reducing its operating costs. US officials said that if BA had songbt permission to increase its stake, this would

have been refused. The official said BA would also experience difficulties if it attempted to conclude a code-

Giant airliner battle, Page 5

Russia's 'dirty money' finds Swiss home

Moscow mafia sends cash west as fear of Communist presidential election win grows

Chrystia Freeland in Moscow

Switzerland's economic problems have made some of its companies and financial institutions more willing to accept "dirty" monay from international criminal organisations, including the Russian mafia, according to senior European police officials.

The trend coincides with predictions of a rise in money leaving Russla in coming months because of mounting fears among newly rich antreprenaurs that the Communists will win presidential elections in June.

Tha violent character of Russia's emerging capitalist economy was underscored this week when Alexei Bntenko, a 26-yaar-old banker, was found stabbed to

killing was the latest in a series of high-profila murders of prominent Moscow financiers over the past year.

Law enforcement officials believe the protracted period of sluggishness in the Swiss economy may have made some com-panies less choosy about where they get their money. Some officials fear this relaxation of standards under economic pressure may inflict lasting damage to Switzerland's law-abiding business culture.

Ona international crime expert in Davos noted that the Russian mafla had also been taking an increasingly active interest in their own country's banking sector. This gave them access to sensitive and confidential informa-

tion on foreign companies which could then be used to target them through protection rackets.

"Nowadays they don't rob banks, they own them." the expert said. However, Mr Jules Kroll, chair-

man of the private sector investigation business Kroll Associates. told a session of the World Economic Forum in Dayos that Switzerland had done more than any other country to crack down on money laundering and to estab-lish links with law enforcement ncies elsewhere.

But experts argue that Switzer-land's financial regulations still include some loopholes which permit money laundering, notably through unregulated fund management businesses.

Swiss police take comfort from

BT joins German groups in third telecoms consortium

By Michael Lindemann in Bonn and Paul Taylor in London

RWE and Viag, two of Germany's largest industrial groups, plan to join British Telecommunications to create a third consortium vying for position in the German telecoms market, Europe's big-

The two German groups will sign a letter of intent to work with BT on providing telecoms services to corporate and residential clients in a move which signals a further consolidation of the German market before the introduction of full competition

Undar the agreement which will be formally announced today, a new company will be created to bring together tha existing talecoms natworks owned by RWE and Viag.

The German companies said they might also expand their activities to include mobile and satellite communications.

The new venture will compete directly with Deutsche Telekom,

UK News

the state-owned monopoly, and a second alliance of companies which includes two of Germany's biggest companies, Veba and Mannesmann, plus Amarican Telephone & Telegraph of the US and Britain's Cable and Wireless, both international telecoms operators.

The new German telecoms consortia have been keen to secure international partners to improve their chances of operating outside Germany and to take advantage of foreign operators' experienca in liberalised telecoma

BT and Viag first agreed to create a joint venture, called Viag InterKom, just over a year ago, saying they look for a number of other German companies, including possibly BMW or the insurance group Allianz, to join them as shareholders.

Now that RWE is joining the existing partnership, it is thought unlikely that additional German partners will be sought. The three companies are expected to complete talks on the alliance by

CONTENTS

Breek-up of British Gas.

the middle of this year. Executives involved in negotia-

tions also said yesterday that there would be no exchange of cash or equity at this stage, and that the three companies would simply be pooling their resources ahead of full-scala liberalisation.

If completed the deal will mark a further step towards the consolidation of the German telecoms market where, just nine months ago, five of tha country's biggest companies were unveiling ambitions plans to compete with Deutsche Telekom, the world's third largest telecoms operator. The only one of the five not to

have committed itself to one of neering group,

system Deutsche Bahn, but together with Veba, is also the largest shareholder in E-Plus, the third German mobile phone net-WOTK.

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Foreign Exchanges .

LONDON - LEEDS - PARIS - FRANKFURT - STOCKHOLIN - MADRID - MEW YORK - LOS ANGELES - TOKYO

the new private sector alliances is Thyssen, the steel and engi-Thyssen is working with Viag in an effort to win a 49.9 per cent stake in DBKom, the telecoms subsidiary of the federal railway

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France to give

rural tax breaks

The French government is to match its recent tax break

The largest farmers' union, the FNSEA, welcomed the

government measures, but said more would need to be done to stop "desertification" of rural areas, which had left 20 per cent

The union said it would use an agriculture conference to be hosted tomorrow by prime minister Alain Juppé to push for an

of the country's population living on 80 per cent of its land.

increase in farmers' pensions and for better investment tax

France is already getting some FFr15bn (\$3bn) in European

Union aid in the 1994-99 period to help declining rural regions covering 17 per cent of French territory.

Mr Eneko Landahuru, the EU's director general for regional policy, was yesterday quoted in the Libération newspaper as

saying he saw little objection to France's plans for "tax-free"

urban zones and for rural tax breaks because they were not

sufficient to distort competition by attracting investment from

David Buchan, Paris

initiative for deprived city zones with a new series of fiscal exemptions to try to stem depopulation in rural arees: It will give rural employers and individuals temporary relief from social security charges, increase investment allowances and

EUROPEAN NEWS DIGEST

reduce property taxes.

Yeltsin may try to buy off angry voters

President Boris Yeltsin has made spending pledges ahead of the presidential elections in June that could be worth \$250 (£162) a head and may double the Russian hudget deficit this

Seven presidential pronouncements in recent weeks have promised, among other things, to spend more on rebuilding Chechnya, pay wage arrears to government employees, and increase student

A Moscow-hased investment office, AIOC, has estimated Mr Yeltsin's additional speeding proposals are equivalent to \$250 per voter in a country where the average monthly wage is about \$100.

AlOC costed the pledges at \$16.5bn, which would double the government's projected budget deficit this year. That calculation was made before the government clinched a deal with striking miners over the weekend, promising a further Rbs10,400bn (£1.4bn).

The announcements have led to stark warnings from Mr Anatoly Chuhais, the former first deputy prime minister and chief architect of Russia's IMFapproved stabilisation programme, that a populist speoding spree could hust the bud-get. That could reignite inflation and "lead to a crisis on the foreign exchange and bond markets, and threaten a collapse of the banking system", he wrote in the Financial

But, so far, Russia's infant

Mr Yevgeni Yasin, Russia's economy minister, admitted vesterday that his government was under mounting pressure to abandon its policies of fiscal and monetary restraint before June's presidential election, but said he was determined to stand firm, writes Guy de Jonquieres in Davos.

He told the World Economic Forum in Davos that President Boris Yeltsin was being urged by many of his supporters to "forget his anti-inflationary promises just to win votes" by increasing spending and adopting other populist mea-sures advocated by the Com-

Mr Yasin said he would resist demands to relax economic policy. "I will stand op to that pressure and I am confident that we will succeed."

markets have taken both wild promises and fierce warnings remarkably calmly. The rouble has held steady against the US dollar and even strengthened a little this week. Yields on government debt have also fallen to near all-time lows, albeit, it seems, partly as a result of the ceotral hank's massaging of

A hig test of investors' mood will come today as the government tries to auction almost Rbs8,500ho of short-dated government paper.

"There is clearly a big push to mollify an angry electorate bnt I think the government understands the need to keep control of the economy and inflation," says Mr Thomas



The cashier has no money! said a sign last weekend at a coal mine near the town of Novokuznetsk 3,000km east of Moscow. Some 500,000 Russian miners went on strike last week for unpaid wages

Reed, an analyst at AIOC. Part of the explanation for the tranquillity is that Russian traders draw a hig distinction between words and deeds. Moreover, the president's advisers have been reassuring them the extra spending will not jeopardise the macro-economic stahilisation programme.

"Moves which give greater attention to socio-economic issues and restoration works in Chechnya are being implemented in the framework of the budget for the current time," Mr Alexander Livshits. the president's chief economic aide, said yesterday.

The IMF's specialists in Moscow are desperately trying to keep abreast of all the spending commitments but are not yet alarmed.

"As far as I am aware, I do not know of a decree or a combination of decrees which vio-lates the budget or the fiscal and monetary programme that has been worked out with the IMF and implemented by the central bank," says one senior western economist in Moscow. "But if they go ahead and spend the additional money it will show up in all the figures fairly quickly.

The IMF will certainly demand greater comfort before approving a possible \$9hn three-year loan to the Russian government. "There is a little less certainty about which way

is as yet no certainty about where we will all end up," says the economist. The government may be able to siphon money away from some parts of the budget to spend elsewhere and may try to front-load its spending in the first

few months of the year. In an interview in the Izvestiya newspaper yesterday, Mr Alexander Smirnov, head of the main directorate of the federal treasury, suggested the government had scope to increase wages in the short term by diverting money from long-term spending commitments, such as capital investment and science. "But that

will simply eat up our national heritage," he said.

Lisbon budget increases social spending

By Peter Wise in Lisbon

Portugal's new Socialist government yesterday unveiled a "budget with a social conscience" for 1996, aimed at cutting the fiscal deficit and increasing social spending without raising taxes.

The proposals were presented to parliament with the outline of a privatisation programme designed to raise more than Es380hn (\$2.5bn) in less than a year through the sale of power, telecommunication and

other companies. Opposition parties attacked ome of the proposals yesterday but parties on the left and right are unlikely to vote together against the budget to defeat the centre-left government, which fell four seats short of an overall majority in a general election last October.

Mr Antônio Sousa Franco. finance minister, has set a target of redncing the budget deficit to 4.2 per cent of gross domestic product in 1996, from 5.2 per cent last year. This falls just within plans to meet the EU monetary union requirement of 3 per cent in 1997.

He said the budget was designed to stimulate investment, lower inflation and ensure fiscal rigour, as well as reallocating resources to promote greater social justice. Among social measures, he announced the creation of a minimum national income for the country's poorest families.

The deficit cut would be achieved despite an increase in social spending to 47.3 per cent of total expenditure from 45.6 per cent in 1995. A proposal to spend Es840bn on education, 12 per cent more than last year, is the biggest planned increase.

Spending cuts are to be made in the operating budgets of some ministries including defence, foreign affairs and jus-tice. But the deficit is largely to be reduced through increased tax revenue, forecast to grow by 7.9 per cent this year to Es5,338bn from Es4.948.6bn in 1995.

The centre-right Social Democrats, the main opposition party, yesterday questioned how the government could increase revenue so substantially without raising income or corporate taxes and by lowering some indirect taxes.

Mr Sousa Franco is placing his confidence largely in stronger economic growth. The government forecasts GDP will up from unofficial estimates of about 2.5 per cent in 1995. The government aims to stimulate growth by increasing state investment by 20 per cent to Es397bn, largely to be spent on transport infrastructure.

Mr Sousa Franco said privatisations planned for 1996 and 1997 included Electricidade de Portugal, the national power company, and a second tranche of Portugal Telecom, as well as cement, steel, tobacco, paper pulp companies and Banco Fomento e Exterior, Portugal's fifth largest financial group.

Bonn rejects any delays in Emu

The German government yesterday sought to dampen speculation that it was preparing for a delay in the start of the third and final stage of European economic and monetary union beyond the planned starting date of January 1, 1999.

Mr Klaus Kinkel, the foreign minister, said Germany stood fully behind its intention to enter the third stage on the agreed date and that nobody should count on a postponement. However, Mr Kinkel also underlined that there would be no softening of the Maastricht treaty convergence criteria to determine which countries should begin Emu.

Remarks earlier this week from Mr Wolfgang Schäuble, the leader of the parliamentary group of Chancellor Helmut Kohl's Christian Democratic Union, triggered speculation that Bonn was losing its enthusiasm for Emu.

Mr Kinkel's statement yesterday made clear that while Bonn still backed Emn strongly, it would put the criteria before the Emu timetable in the event of a conflict between the two

The decision on which member states would qualify for membership would be made as early as possible in 1998 on the strength of economic data relating to 1997, the German Peter Norman, Bonn Beyond the catcalls, Page 10

Chechens protest as tension rises Thousands of Chechen separatists, waving green Islamic flags, staged a protest yesterday in their capital, Grozny, as tensions again rose in the breakaway Caucasus region.

Defying Russian calls to disperse, the protestors gathered outside tha presidential palace in the centre of the devastated city to demand that all of Moscow's federal forces leave Chechnya, Russian officers warned they would fire on the crowds if separatist fighters infiltrated the demonstrations to stage attacks on federal troops.

There will be no other way out of this situation. We will decisively shoot to kill," a senior Russian commander told the Interfax news agency.

Further bloodshed in the troubled region could derail a possible peace deal which President Boris Yeltsin may unveil today following a meeting of the infinential Security Council. Russian newspapers have speculated that Mr Yeltsin may be prepared to cede a large measure of autonomy to Chechnya in

an attempt to stop the fighting that has ravaged the region for

the past 14 months. But several Chechen leaders have already said they would settla for nothing less than full independence, an option which appears unacceptable to Moscow. John Thornhill, Moscow

Strikes resume in Sabena dispute Workers at Sabena, the Belgian national airline, went on a one-day strike yesterday, shutting down the carrier's flights to

Sabena said it "regretted" the action which it described as a "slap in the face for passengers and an attack on the commercial funds of the company". Other airlines were able to operate flights – but with some delays as the strike also affected baggage handling.

Sabena has already suffered a number of one-day strikes over management plans to freeze wages, raise working hours and bring in more staff flexibility.

The airline says the steps are necessary to spur growth and in the long run create jobs for the airline, which is 49.5 per cent owned by Swissair. Negotiations between the two sides broke down on Friday

after the unions accused Sabena of not honouring conditions agreed for the resumption of talks in January.

The action began late last year after a bitter dispute between unions and management following Sabena's decision

to scrap collective wage agreements as part of a plan to make the airline profitable. Sabena had a BFr1.2bn (\$39m) consolidated loss in 1994. Reuter, Brussels

Turks blame Greece over talks Turkish officials yesterday blamed Greece for sabotaging a

planned mediation mission to Ankara and Athens by Mr Richard Holbrooke, the US envoy, following last week's shows of force by both countries in the Aegean. Mr Omer Akbel, the foreign ministry spokesman, said: "We

were ready to receive him and we regret that he cannot come.
We are sorry Greece has rejected him."

Mr Costas Simitis, the newly installed Greek prime minister

who was criticised for his handling of the crisis, cancelled meetings with Mr Holbrooke claiming they did not fit in with Although the US embassy in Ankara says Mr Holbrooke's

visit was postponed, not cancelled, no revised date has been John Barham, Ale ara

ECONOMIC WATCH

Greek inflation edges up again

Annual % change in CPI 1994 95

and insurance rates and housing rents also were up. However, clothing prices were down because of winter sales, the service said. Last April the inflation rate dropped below 10 per cent for the first time since 1972, hitting 9.9 per cent. Greece's current account posted a deficit of \$551m (£357.7m) in October. up from \$296m in September, the Bank of Greece said vesterday.

Austria's wholesale price index in January was down a preliminary 0.4 per cent on the year, against a fall of 2.5 per cent in December.

the wind is blowing and there JESTER UPSETS COURT OF BORIS NIKOLAEVICH

By Chrystia Freeland in Moscow

Russian officials yesterday condemned Russian President Boris Yeltsin's former press secretary for revealing a compromising glimpse of life in the

Kremlin in a forthcoming book. "This is a violation of moral and professional rules and norms," Mr Grigory Karasin, a foreign ministry spokesman, said in a fierce attack on Mr Viacheslav Kostikov, who was sacked by Mr Yeltsin in late 1994.

Mr Kostikov, now Russia's ambassador to the Vatican, bas written a vivid account of bis two-and-a-half years behind the high red walls of the Kremlin. Tentatively titled "Parting with

the President", the book has not yet been published, but excerpts in a Russian weekly depict Mr Yeltsin as an ageing antocrat surrounded by sycophantic and scheming aides.

Mr Kostikov's alleged breach of diplomatic etiquette looks tame in comparison with the Machiavellian habits of Mr Yeltsin's closest counsellors. According to Mr Kostikov, the most powerful politicians in Russia routinely assume their offices are hugged and treat the president more like a feodal lord than an elected leader. "All my telephones were tapped." Mr Kostikov writes. "All the president's aides assumed they were being monitored and if we had anything to say to each

other which we did not want the Kremlin's big ears to hear, we just exchanged notes, which we later destroyed.

To lighten the paranola, and mock the bardline aides helleved to be responsible for the wire-tapping, Mr Kostikov describes an occasion when he and some of the president's liberal aides, after a few shots of vodka, impersonated the Kremlin's two leading hawks - General Alexander Korzhakov, Mr Yeltsin's chief bodyguard and confidant, and General Mikhail Barsukov, then a Kremlin security boss, but now head of the Federal Counter-Intelligence Service. "We proposed funny toasts in their names, gave evaluations, political opinions. Yon can just imagine what the poor workers went through who had to figure out the tape," Mr Kostikov writes. Mr Kostikov avoids directly attacking Mr Yeltsin, but his melancholy portrait of his former boss is likely to contribute to the mounting disillusionment of Russian democrats with the

man they once saw as their leader.
"Boris Nikolaevich does not have and

never had any ideology, any democratic convictions of his own," Mr Kostikov writes. "Sometimes I think about Boris Nikolaevich as a tragically lonely man, especially now that the democrats have left him, the democrats who, in fact, made Yeltsin Yeltsin."

Finland aims to plug booze tax drain

By Christopher Brown-Humes in Stockholm and Reuter in Helsinki

Finland, home to some of the world's most expensive alcohol, is planning to clamp down on duty-free imports from Russia and the Baltic states hecause it says it is losing too much in tax revenue.

The health ministry esti-mates that "alcohol tourism"

costs Finland around FM1bn (\$220m) a year in lost taxes because the cross-border booze trade has surged since dutyfree limits were relaxed after Finland joined the European

The ministry is targeting two flourishing trades in particular - alcohol bought in Russia, and the "booze cruises"

between Finland and Estonia that have become popular since Estonia gained indepen-

Finns crossing to Russia 15 times a day just to bring back their maximum allowance of 15 litres of beer and one litre of spirits each time. For some of the unemployed, who make up 17 per cent of the workforce, it has been a valuable saving or More than 2m Finnish pas-

sengers a year take the threehour ferry or 90-minute hydrofoil journey to Tallinn, the Estonian capital, combining sightseeing with a chance for

Controversially, the monopoly survived Finland's entry to the EU hat its sales flagged in 1995, partly because of the impact of duty-free purchases. The government says it

challenging, rewarding, and exciting experience awaits you at the Harvard University Summer School. Summer School students have access to Harvard's distinguished faculty, well-equipped labs, exceptional museums, and the largest university library system in the world. Now in its 125th year, America's oldest academic summer session offers several hundred liberal arts courses including drama, writing, economics, computer science, Ukrainian studies, English for non-native speakers, and a college-level program for secondary school juniors and seniors. Historic Cambridge, Massachusetts, located on the Charles River, is considered the ultimate college town with many bookstores, music stores, and restaurants. Metropolitan Boston is minutes away. We invite you to learn more about our programs. Eight-week Summer School session: June 24-August 16, 1996.

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dence in 1991. There have been reports of

Union in January 1995. useful source of income.

some very cheap shopping.

They can hardly be blamed for their enthusiasm. Finns have to pay some of the world's highest prices because

of the control exercised by Alko, the state-owned retail

wants to lower to two litres the current 15-litre allowance on heers imported after "short

trips" to non-European Union countries, and introduce a new time limit defining a short

Serbs break off contacts over detention of senior officers

Bosnia war crimes row deepens

By Harriet Martin in Sarajevo

The Bosnian Serbs yesterday suspended contact with the Sarajevo government follow-ing the arrest hy Bosoian police of eight Serbs on suspiclon of war crimes. It was the first significant

setback in the Bosnian peace

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process. Two senior Serb officers, General Djordje Djukic and Colonel Aleksa Krsmanovic, are among eight prisoners the Bosnian government has admitted detaining, although the Serb authorities claim 11 are missing. Mr Carl Bildt, international civilian co-ordinator in Bos-

nia, expressed coocern over the suspension of contact and hoped the issne would be cleared up quickly. A Serb spokesman said: "We have decided to stop negotiations and not to go to the Moslem part any longer until we get the Scrbs released, He demanded that future meet-

ings he held on neutral

ground.

The Bosnian government said yesterday it would hold the men until the International War Crimes Tribunal in The Hague had examined the evidence against them. None are among the 47 Serbs already indicted by the tribunal, but government officials are confident they have evidence to implicate at least five of the detained men in war crimes committed around

Bosnia. The government has promised to release the men if the tribunal does not find a case against them. Mr Mirza Hajric, a Bosnian government official.

Sarajevo and in eastern



Bosnian security service chief Bakir Alispahic speaking about the detained Serbs

has frequently linked the issue of prisoner releases and war crimes, claiming that the Serbs have had so few prisoners to release because of their policy of killing people rather than holding them captive.

The government remains defiant about its provocative said: "If the decision of Tha action which has for the first Hague representative is that time raised a serious question these persons should be over the future success of the

Bosnian government had agreed to abide by the decision of the tribunal, set up by the Security Council in 1993, as to whether there was enough evidence to indict the two senior officers. But Bosnian security service chief, Mr Bakir Alispahlc, declined to repeat such an assurance at a news conference in Sarajevo yesterday. The future of these people will be in the hands of both the judicial authorities of Bosmia-Herzegovina and investigators of the International War Crimes Tribunal," he said. Robert Chote adds: Mr

Hasan Muratovic, the Bosnian prime minister, yesterday predicted that his country could be granted full membership of

released then the Bosnian government will respect that decision." The Bosnian government

> gie dollar yet," Mr Muratovic said. "That's why we expect understanding and quick support." But the proposed pro-gramme would barely scratch the surface of the \$45bn worth of physical damage done to

the World Bank by early

March, giving it access to

fresh loans to help with eco-

Economic Forum in Davos that

speed was of the essence in

mobilising the \$5.1bn three-

year reconstruction package

for Bosnia proposed by the

World Bank and the European

"We haven't received a sin-

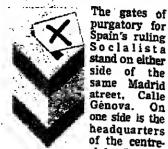
Mr Muratovic told the World

Greek inflation

index for January was down 0.1 per cent from December. with annual inflation running at 8.4 per cent, the National Statistical Service said yesterday. Over the same period last year, the CPI dropped 0.4 per cent. Inflation in December was 8.1 per cent, and last January it was 11.1 per cent. The smaller CPI drop this year was attributed to a 1.6 per cent rise in the price of foodstuffs and a 22 per cent increase in the cost of alcoholic beverages and cigarettes through higher direct taxes. Telephone, fuel

Greece's consumer price

Waves of sleaze set to drown González



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Secretary and see

right Popular SPANISH ELECTIONS all the polls March 3

say is heading for its first general election victory on March 3. On the other is the National Court huilding, source of the greatest damage to the Socialists' ooce clean

A growing climate of scandal has culminated in charges against Mr José Barrionuevo, former interior minister and still a candidate for re-election to parliament. The charges, over "dirty war" activities against Basque terrorists, destroyed any hopes the Socialists might have had of a judicial truce during the election

For the last year, Spanish politics have increasingly been overshadowed by the case of the Anti-Terrorist Liberation Groups (Gal), active in the mid-1980s. Mr Felipe González, prime minister, has always denied that his government backed or condoned them. His problem is that most Spaniards

do not believe him. The case caps a list of others involving former subordinates. including cases of alleged illicit enrichment by Spain's first civilian Civil Guard chief and a former central bank governor, Separate proceedings against disgraced financiers Mr Mario Conde and Mr Javier de la Rosa do not touch the administration directly, but add to a general climate of sleaze.

According to a poll in La Vanguardia, the Barcelonabased newspaper, if the Socialists lose the election, 87 per cent of Spaniards believe "scandals and corruption" will be a prime reason.

Since last year the centre of political attention has moved from parliament to the courts. As in Italy, a new phenomenon has emerged in recent years: the "super-judge".

Investigating judges - often young, since they qualify by examination without needing practical legal experience—do calling on Mr González to not preside over trials but have resign over the Gal.

How botched anti-terrorist operations could force PM to testify about government role in killings

Four Spanish policemen go to France on a secret mission to capture a terrorist suspect. But as they try to bundle him into a car they are nabbed by French police and taken in.

A few weeks later, another mission is launched to kidnap another terrorist suspect this time using mercenaries. They get back to the border but the frontier police (this is in the time of border controls) have not been tipped off. They try a second border post: same result. At the third attempt, they get through. Another car meets them and they all go to a hiding place in northern Spain. But they have got the wrong

It is decided to hold on to him, and a note is sent demanding that the French release the four Spanish policemen from custody. The policemen are allowed to return. After 10 days

in captivity, the bemused victim is released.

This inglorious episode, the first action claimed in the name of the Anti-Terrorist Liberation groups (Gal), is related in Supreme Court Judge Eduardo Moner's charges against Mr José Barrionoevo, interior minister from

1982 to 1988, Curiously, the case has so far focused on the least serious of all the crimes attributed to the Gal, which include about 25

The initials Gal surfaced in late 1983, a year after the Socialists came to power. But they were preceded by other shadowy organisations including the Spanish-Basque Battalioo and the Apostolic Anti-Communist Alliance. The same man whom the mercenaries were supposed to kidnap was the target of an unsuccessful car bomb attack two years earlier. Between 1978 and 1981 more than 20 people were killed in pparent anti-terrorist reprisals.

The question is whether the Gal were simply a continuation of these practices, with the connivance of local officials, or whether government figures actively promoted them. The charges, based on other defendants' testimony, attribute "executive functions" in the Gal to Mr Barrionuevo and Mr Rafael Vera, his former security chief. Whether Mr Felipe González himself is called in is something the

inquiry, from start to finish, a - a move permitted by a law introduced by the Socialists task that in different systems like the UK's would be mostly themselves - and proceeded to done by the police. reopen the Gal ioquiry, They can have suspects thereby becoming the scourge of the government he had detained or pnt on bail, issue

search warrants or order tele-Socialist leaders hinted at a phones to be tapped. They can also declare secrecy, in which "political operation" against case lawyers are kept out them. Mr Barrioouevo and Mr unless their client has been Rafael Vera, former number two at the ministry, both tried charged. in most cases it is up to them whether to commit to get him taken off the case. someone for trial. Last summer Mr Garzón If Italy has had Mr Antonio handed the main case up to the Di Pietro, Spain has Mr Balta-Supreme Court to deal with sar Garzon, the most famous the accusations made against and controversial in a professenior politicians. But he is

sion which has never before still burrowing away at the Gal affair, pursuing individual enjoyed such stardom. Mr Garzón, 40, made his name in the murder cases. 1980s as the scourge of drug-The reason for the high protraffickers. He has a taste for file enjoyed by some judges lies good clothes and publicity, largely in the court structure, says Mr Jaime Alonso, a crimi-nal lawyer in Madrid. The such as drug-busting stunts with television cameras in National Court was created attendance. For the last election in 1993, after General Franco's death, Mr González co-opted Mr Garreplacing the notorious Public

zon to stand with him on the Order Tribunal, Its main job - paradoxical as Socialist list for Madrid. The it seems now - was to provide new deputy was put in charge a central court for trying of the government's anti-drug plan. But the following year, Basque terrorists, on the frustrated with his political grounds that judges in the Basque country would come career, he quit, saying he had been used as a "puppet" and under too much pressure. Its responsibilities were later accusing the government of being passive on corruption.

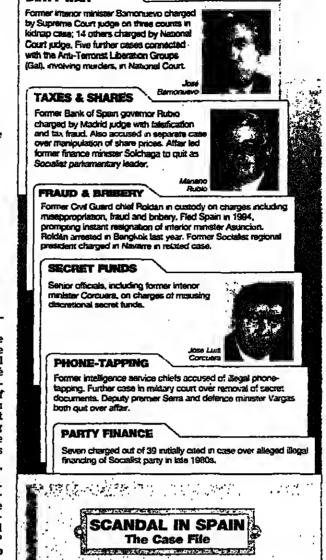
Another judge who had also extended, and now include business crimes. This means a been brought into parliament, lot of the biggest investigations Mr Ventura Pérez Mariño itook pile up on the desks of just six the same step a year ago after

National Court judges.

The welter of cases is made worse by a peculiarity of

criminal suit, even if they are not directly affected. Some have become hahitual criminal iitigants, notabiy Mr José Maria Ruiz-Mateos, the busi-nessman who is himself involved in a long tussle with the law since the government expropriated his tottering empire in 1983. Whether a case is followed up is at the judge's

> Many lawyers feel judges' power and influence go too far. All the main political parties the Socialists, the PP and the Communist-led United Left ~ talk of reforming the National Court's role. The joke at the PP offices is that people prefer to walk on that side of the street, rather than in front of the court, lest they are pulled in. See Editorial Comment



Poll violence fears fuelled by shooting

Lionel Barber in Brussels

Fears of a resurgence of Basque violence during the Spanish general election campaign became starkly real yesterday when the brother of a Socialist MP was murdered on a San Sebastian street.

The murder was assumed to be the work of Eta, the armed Basque separatist organisation. It was the first political killing in Spain since the government announced an early geoeral election on March 3.

Mr Fernando Múgica, a well-known lawyer prominent in local Socialist politics, died in hospital after being shot in the head while returning from court with his son.

His brother, Mr Enrique Múxica, a former justice minister, heads the Socialist list of candidates for the Basque province of Guipuzcoa, a stronghold of radical Basque nationalism. While in the government, be was responsible for a cootroversial policy of dispersing Eta prison inmates in jails across the country.

in a similar attack a year ago, an Eta gunman killed the local leader of the centre-right Popular party, Mr Gregorio Ordonez, in a San Sebastian restaurant in the Basque coun-

It had been widely feared that Eta, reduced to a small hard core, would try to mount a spectacular operation during the election period.

The killing served to dramatise a diplomatic quarrel that 1977 European Convention,

and Belgium over an extradition case. Madrid yesterday voiced "profound displeasure" at Belgium's decisioo to release a Spanish couple alleged to have collaborated with Eta, and said it was suspending "all aspects" of judicial co-operation between the

two countries. Belgium's ambassador in Madrid was summoned to the foreign ministry yesterday morning and his Spanish counterpart was called back from Belgium "to inform the government of the new situation". Diplomats said this was a step short of recalling an envoy for

"consultations" The couple, Mr Luis Moreno and Ms Raquel Garcia, were released from custody after the Belgian Council of State blocked an extradition order agreed by the justice ministry two weeks ago. They are accused of having provided accommodation and transport for an Eta unit in the Bilbao

Spain has been seeking their return since 1993. The foreign ministry said the release was "in open cootradictioo" with EU co-operation agreements. It urged the Belgian government to use all means to ensure the couple did not evade justice.

Belgium said last night it had no choice but to comply with the decision of the court, which had ruled that the Spanish case for extradition was not compatible with the definition of terrorist activities in the

is to conduct the pre-trial back to his National Court job which anybody can bring a German economists argue against job alliance plan

Senior German economists yesterday urged the Bonn government and employers' organisations not to accept key ele-ments of the "alliance for jobs" proposed by the 1G Metall trade union as a way of reducing unemployment.

The committee of academic economists which advises the economics ministry said industry should not promise to create a specific number of jobs in return for wage restraint by unions. Nor should the government fall in with union demands to abandon plans to cut unemployment pay and tighten the criteria for social

security payments.

The alliance for jobs as put forward by Mr Klaus Zwickel, head of IG Metall, envisages union acceptance of pay increases no higher than inflation next year in return for emplpyers in the metalworking incontry creating 300,000 johs and employing 30,000 long-term

With official figures tomorrow expected to show German unemployment above 4m, the plan has been broadly welcomed by the government while avoiding any commitment to change its policies in line with the union's wishes.

In a report explaining bow best to reduce the 1.13m-strong ranks of Germany's long-term unemployed, the advisory committee said the union's offer of wage restraint and other conions could be an important contribution towards employing those who had been out of work for more than a year.

But employers' organisations should not commit their members to job creation, and government action to reform Germany's social security system was essential.

The 30-strong academic committee, chaired by Mr Norbert Kloten, a former head of the government's council of economic advisers, said the

unemployed in a three-year long-term unemployed could hope for jobs if fundamental changes were made in Germany's system of collective

wage bargaining. Pay settlements should take more account of local conditions and there should be a wider spread between wages for skilled and unskilled workers through reducing the cost

of unskilled labour. It was also essential to change the rules on social security payments to correct financial disincentives for the long-term unemployed accepting proper jobs. The report said the head of a five-person family living on social security would gain nothing from tak-ing a joh which paid less than

DM30,000 (£13,250) a year. • Reuter adds: The govern-meot, state rail company and unions agreed a package yes-terday involving more flexibil-ity on working hours, cuts in overtime and expanding part-time work in exchange for



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Italian constitutional pact runs into opposition

By Robert Graham in Rome

The leader of Italy's Party of the Democratic Left (PDS) is facing a strong groundswell of protest from his supporters over last week's pact to back a new government committed to significant constitutional

The objection is embarrassing Mr Massimo D'Alema and is straining the centre-left coalition which the PDS dominates. If it continues to gain mentum, it could seriously limit Mr D'Alema's room for cenvre in perusing constitutional reform and put his leadership at risk.

One of the main "dissident" figures is Mr Stefano Rodota, a former chairman of the PDS parliamentary group and a legling party intellect. But those voicing outright opposi-

tion to the pact include Mr Alfiero Grandi, prominent on the left of the main CGIL union confederation, and Mr Sergio Garavini, veteran member of Reconstructed Communism, formed from the hardline of the old Italian

Communist party.

Just as important are those who are reluctant to undermina Mr D'Alema directly but are nevertheless extremely critical of the deal with the rightwing coalition headed by former premier Silvio Berlusconi and Mr Gianfranco Fini, leader of the National Alliance. Both the latter and the open dissidents are concerned that

Mr D'Alema has agreed to introduce an ill-defined semipresidential system of government alien to the traditions of both the centre and left in

They mistrust Mr Berlusconi's motives in agreeing to implement constitutional reforms after refusing to co-operate on such changes for the past two years in parliament. Furthermore, they are extremely wary of Mr Fini's insistence on a strong directly elected chief executive which smacks of authoritarianism.

At a press conference yesterday the dissidents sald they were not seeking to create a new party but rather form a unified front to oppose the introduction of the proposed semi-presidential system modelled on that of France. "Semipresidentialism does not provide stability." Mr Rodota

A system based more on a German-style chancellor as chief executive was more suitable to Italy.

Telford is not only situated in the heart of unspoilt Shropshire countryside, it is also at the very heart of Britain's communications

It is located near its own motorway the M54, which gives it fast access to the national motorway system putting two thirds of the UK population within four hours journey time.

And no less than 15 UK ports are within 41/2 freight hours, with Liverpool Freeport, Britain's busiest general cargo port, only two hours away.

Birmingham International Airport is just 45 minutes away and

Grand jury probe on tobacco witness

By Richard Tomkins in New York

A grand jury in Washington is examining wbether a public relations consultant acting for Britain's BAT Industries was involved in a campaign to intimidate Mr Jeffrey Wigand, the anti-tobacco lobhy's star witness in two criminal investigations of the tobacco

The consultant is Mr John Scanlon, a partner of the New York public relations firm Abernathy MacGregor Scanlon. The investigation concerns his role in acting for Brown & Williamson Tobacco. BAT Industries' US arm and Mr Wigand's former employer.

Last month Brown & Williamson released a 500-page dossier to the Wall Street Journal entitled: The Misconduct

of Jeffrey S. Wigand Available in the Public Record. It combed through details of Mr Wigand's past life in an attempt to find episodes that might cast

doubts on his credibility. Among other things, the document sought to show that Mr Wigand had faced charges of sboplifting and wifebeating and that be had mis-stated his academic qualifications. The Journal, which checked the claims, said many of them were "backed by scant or contradictory evidence".

Mr Wigand is the most senior whistleblower to defect to the anti-tohacco lohhy. He has made several allegations against Brown & Williamson - most recently last Sunday on the CBS News television programme 60 Minutes. These include a claim that the company

tive qualities of nicotine.

Mr Wigand is a federal witness in a US justice department investigation as to whether tobacco executives perjured themselves in congressional testimony about tobacco addiction. He is also a witness in a separate investigation of wbether the tobacco company Philip Morris violated securities law by misleading shareholders about smoking

Yesterday, Mr Scanlon was out of the US and could not be contacted for comment. But Brown & Williamson confirmed that he had been acting for it and that he had been issued with a

Mr Joe Helewicz, the company's vice-president for public affairs, said Mr

had misled Congress about the addic- Scanlon had been retained as "a facilitator" to arrange meetings of company executives and reporters interested in hearing Brown & Williamson's side of

> Mr Helewicz also said Brown & Williamson was exercising its constitutional rights to free speech by attempting to refute Mr Wigand's "unsubstantiated or libellous comments and allegations against Brown & Williamson, our former chief executive officer and the company's employees.

> "We find it very strange and indeed absurd that Brown & Williamson is being criticised or targeted in some way because we are responding publicly to unsubstantiated allegations by Jeffrey Wigand. We have a right to answer those charges," Mr Helewicz said.

Mr Steve Forbes, the wealthy magazine publisher (pictured ahove), has prohably spent more money on radio and TV political commercials than all his rivals for the Republican presidential nomination comhined. Jurek Martin reports

Iowa. A count in Time maga-

Mr Forbes's campaign, which

Mr Dole's \$21m total spending last year, 82m went on fundraising. For Senator Phil Gramm of Texas, that took more than S4m out of S19m.

Residents resist gas pipeline in Chile

By Imogen Mark in Santiago

landowners and neighbourhood groups in an area outside Santiago are threatening to obstruct work on a pipeline to bring natural gas from Argentina to the

The Chilean environmental anthorities last week gave GasAndes, a Canadian-Chilean consortium, the go-ahead to build the pipeline. The consor-tium, led by Nova Corp of Canada, announced it was to start work immediately on the 165km Chilean section.

The project needs to be supplying gas to industrial cus-tomers by mid-1997, before new environmental restrictions come into force in the capital at the end of that year.

Desptte reassurances from GasAndes, which has obtained rights to work on the affected land, opponents say they are worried about the potential dangers from the pipeline in an earthquake-prone area. Many are middle-class professionals who have secured much media exposure. This is transforming the issue into a test case for citizens' rights.

The opposition has proposed alternative routes for the pipeline away from populated areas. GasAndes says it is still studying one such proposal. It also has 30 days in which to appeal against a ruling on the siting of the decompression centre where the gas feeds into the distribution network. The government environmental commission has rejected a site in a residential area.

A second source of environmental concern over the arrival of natural gas is the problem of increased emissions of nitrogen oxide pollutants from a gas-fired power plant to be huilt in Santiago hy Chilgener, a Chilean generator and part of the GasAndes consortium. Nitrogen oxide combines in

sunlight with bydrocarhon emissions to produce ozone, a toxic gas. Ozone levels in Santiago are already weli above international norms, largely thanks to diesel fumes.

AMERICAN NEWS DIGEST

Sara Lee to pay anti-trust fine

Chicago-based consumer products giant Sara Lee has agreed to pay a record \$3.1m fine for failing to notify US anti-trust authorities before an acquisition of assets from Britain's Reckitt & Colman in 1991, officials said yesterday. The US justice department filed the suit and proposed settlement in a federal court, claiming Sara Lee had violated anti-trust notification requirements.

At issue was Sara Lee's purchase of the shoe care products division of Reckitt & Coleman for some \$25.8m. The complaint said the contract had failed to provide a fair market value for the US assets. Because Sara Lee gave a low estimate of the US assets, it claimed it was not required to report the transaction, saying the assets were worth less than the \$15m limit.

At the time of the acquisition, Sara Lee and its Kiwi division bad a 90 per cent share of the US shoe polish market and Reckitt and Colman's Griffin was one of the few remaining

The proposed settlement, involving the largest US civil fine for violating pre-merger notification requirements, remains to be approved by a judge.

Moody's ceiling on Peru rating

Moody's, the rating agency, has assigned a sovereign ceiling of B2 for ratings of foreign-currency bonds issued by Peru, placing it a notch below Argentina and Brazil on its ratings

Peru has not issued any bonds in the international bond market to date, but the sovereign ceiling denotes the highest rating any bonds issued by a Peruvian entity would receive. This is the first time Peru has been rated by one of the large international rating agencies.

Peru has "made enormous progress in economic and political stabilisation since 1990, but its external debt and debt servicing remain burdensome," the agency said.

Beginning this year, Peru faces a sharp rise in debt servicing

costs - beyond the resumption of payments to banks - which will require another restructuring of its deht with bilateral lending institutions. Additional capital account vulnerability arises from rapidly growing short-term deht and the banking

system's large holdings of dollar deposits, Moody's said.
The sustainability of financing for the current account deficit is also a concern, it says, "considering that, during the past few years it, has been covered to a large extent by privatisations and confidence sensitive capital inflows.

The country's main political weakness is the concentration of power in the hands of President Alherto Conner Middelmann, London

Caracas stock market surges

The Caracas stock exchange has risen to two-year highs, amid rumours of a possible devaluation of the bolivar. The parallel exchange rate of Venezuela's currency established by the difference in price between Brady bonds traded in Caracas and New York, has slipped to 394 to the US dollar. The official exchange rate is fixed at 290.

The depreciation follows the implementation of stricter controls in Brady bond trading nearly two weeks ago. The regulations, which introduced a six-day resale ban on such bonds, led to a virtual collapse of the market in them. The trading volume has only recovered slightly since then.

The Caracas stock market's share index reached 2,315 points by noon yesterday. One analyst in Caracas said a similar rise in share prices had occurred last September, three months before the government devalued the bolivar by some 40 per Raymond Colist, Caracas

Budget deal within reach say Clinton and Dole

By Jurek Martin, US Editor, in Washington

President Bill Clintoo and Senator Boh Dole insisted yesterday that a balanced hudget agreement was within reach in the light of new policy propos-als agreed yesterday by the nation's governors.

In speeches to their annual conference in Washington. both specifically welcomed the governors' initiative on reform of Medicaid, the federal insurance programme covering about 37m poor and disabled citizens which has proved a hig stumbling block in the hudget negotiations between the administration and the Republican Congress.

A second initiative, on welfare reform, also appeared to go some way to meeting the administratioo's objections to hills passed by Congress, most ohviously in its recommendation that the food stamp programme be preserved "in its current uncapped entitlement

The president called the recommendations, passed unanimously hy the conference, "a huge step in the right direction" and the majority leader said they went "a long way" to breaking the impasse.

But Mr Clinton was careful to add that be still had prob-

or months Mr Yoav Tsur, who runs a wind

pied Golan Heights, played a

farcical political game with his

rightwing neighbours. Every

day he put up a big blue and

white banner bearing a slogan

in favour of the government's

policy of returning the Heights

to Syria in exchange for peace.

the sign down. Eventually he

put the banner inside a 22,000-

volt fenced compound. Some-

one broke in and took it down.

"I left a note on the sign tell-

ing anyone who would try to

take it down not to kill them-

selves," ha said. "They are

Mr Tsur bas been almost a

lone pro-peace voice on the

Golan. In the past three years a committee claiming to repre-

sent the 14,000 Israeli settlers

living on the strategic wind-

swept plateau has mounted a

visible and successful nation-

wide campaign against the

be suicide. Banners with their

slogan "Peace with the Golan"

exchange for full peace.

At night, rightwingers pulled

farm on the Israeli-occu-

lems with some of the details of the proposals, while Mr Dole said he could not predict

speedy action by the Congress. Several of the governors. hoth Republican and Democrat, also acknowledged that tough negotiations lay ahead with Congress over the details. Governor Roy Romer, the Democrat from Colorado and one of the authors of the report, emphasised it was more of a 'framework" than a hill itself.

The Medicaid blueprint tries to split some of the ideological differences between Republicans and Democrats, It discards the word "entitlement" so offensive to conservatives and replaces it, in Mr Romer's words, with "the right kind of guarantees [of coverage] to the right kind of population". lt allows individual states

ment to define eligibility for the disabled, but subject to the approval of the federal government. Mr Clinton sald he might have some problems with eligibility criteria. The report, while giving the states most financial control, also envisages a fallback role

rather than the federal govern-

event of "unanticipated programme costs". The governors conceded and Mr Clinton duly noted - thei that the proposal had been sub- san.

for the government in the

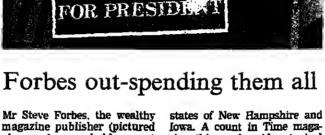
ject to no economic "scoring" hy the Congressional Budget Office, now considered the leading arbiter in hodgetary matters. That process could itself take weeks.

Mr Dole, in a familiar Washington political milieu, was more relaxed and humorous than he was in replying to the president's state of the union message or has been recently on the primary campaign stump. He said he had formed "a good relationship" with Mr Clinton over 50 hours of budget negotiations and called on the governors to help in "bridging differences without sacrificing principles".

Mr Clinton was equally complimentary to the majority leader. He thought the states and their communities should have a much greater say in managing the challenges presented by this "age of possibil-

Both men, in effect, seemed to see the governors as a lever to help bring their own right and left wings into line in pursuit of a halanced budget

Governor Mike Leavitt, the Republican from Nevada, said his colleagues had provided "a neutral ground" for debate on social safety net policies since their proposals were blpartl-



from Washington. The latest report from the

Federal Election Commission. for the final quarter of last year, found Mr Forbes laying out \$9.7m for media time. Senator Boh Dole, Senate majority leader, spent \$1.8m and Mr Lamar Alexander, former Tennessee governor, \$1.75m.

The discrepancy may have widened since, given Mr Forbes's heavy advertising in the early primary election zine this week said a typical New Hampshire voter was seeing or hearing 34 Forbes commercials a week, more than double Mr Dole's exposure.

has spent \$18m since he first considered running last spring, is largely self-financed. This not only frees cash for media buying hut also leaves him outside the limits of state spending hy candidates accepting federal matching funds. The FEC report said that, of

NEWS: INTERNATIONAL

PERES TRIUMPHS WITH EASE IN THE HIGH-SCHOOL ELECTION Mr Shimon Peres the Israeli tion accurately predicted the parliamentary elections Mr

min Netanyahn in a mock election at a high school often seen as a barometer of the national mood, Julian Ozanne

a local version of the New Hampshire primaries, the crucial early test in the US presi-

both right and left made personal appearances before the 780 eligible voters at the school during a week-long election campaign. Media commentators even went as far as saying yesterday that one reason Mr Netanyahu announced a new right-wing election pact on Monday was to influence the High School result.

per cent of the vote against 36 per cent for the new rightwing alliance between Mr Netanyahn's Likud and the ultra-nationalist Tsomet party. Mr Raanan Cohen, Labour Party whip who went to the school to hear the announce-

ment of results, was euphoric. "It couldn't have been more tremendous," he said as student-supporters carried him on their shoulders.

Israel radio carried news of the results live amid speculation that Mr Peres will next week move the elections forward to May from their scheduled date of October 29.

talks with UN United Nations and Iraqi government officials opened talks in

Iraq starts oil

INTERNATIONAL NEWS DIGEST

New York yesterday that could lead to a resumption of oil exports by Baghdad. Both sides emphasised that the discussions were "technical"

in nature and that only a political decision by their principals could ratify any agreement. Iraq hitherto has refused to take up the Security Council's offer last April to allow the sale of up to \$2hn worth of oil over six months, mainly to pay for food and humanitarian needs.

Mr Abdul Amir al Anhari, the Iraqi envoy, promised "full co-operation" with the UN team. He said be helieved an agreement was possible if there were no outside pressure – an evident allusion to US and British insistence that Iraq must conform strictly to the Security Council's "oil for food

Ms Madeleine Albright, the US delegate, is president of the Council this month and is certain to follow the progress of the talks very closely.

Mr Anbari said, however, he did not think any further formal action by the Council would be necessary for the flow of Iraqi oil to resume. The prospect of Iraq's return to the international market, albeit under conditions strictly monitored by the UN, has already added a volatile element to Michael Littlejohns, New York

Tajik rebel warlords back off

Two rebellious warlords who had marched on the Tajikistan capital appeared yesterday to be honouring their agreement to disarm, but the government's talks with a broader opposition

The warlords agreed to end their insurgency in the Central Asian republic after President Emomali Rakhmonov, desperate to avoid a civil war, met their demands and fired

three top officials on Sunday.

Forces of the two warlords have until midday today to lay down their heavy weapons and return to their barracks. The Tajik government declared an amnesty for the rebels. Dushanbe, the capital, was quiet yesterday, and residents

resumed their normal routines while waiting anxiously for the warlords to complete their retreat. The warlords, Mr Makhmnd Khudoberdyev and Mr Ibodullo Boimatov, had helped hring Mr Rakhmonov to power but rebelled against corruption in his hardline communist

government. Mr Rakhmonov's government also has been battling Islamic rebels in the mountains of central Tajikistan. Up to 350 rebel rebels in the mountains of central Tajikistan. Up to 350 febra fighters attacked government troops in the Tavildara region east of Dushanbe on Monday, the Interfax news agency AP, Dushanbe

US budget row hits Africa loans

The African Development Bank has carried out long-promised reforms hut the US hudget impasse is holding up the revival of loans to some of the world's poorest countries, the bank's president said yesterday. The bank has shed almost 20 per cent of its staff and introduced a new organisational structure, Mr Omar Kahbaj, the bank's president said.

But be said a revival of its African Development Fund (ADF) soft loans arm targeted at the bank's poorest members was held up by the budget impasse in the US, the bank's biggest non-African shareholder.

The ADF is the only source of bank credit for 39 of the institution's 53 African members. The US leads the bank's 24 non-regional shareholders with 5.8 per cent of voting shares, followed by Japan with 4.8 per cent.

ing victory yesterday against right-wing Likud leader Benjain 1977, 1984 and 1992 and Israeli media billed the poll as

reports from Jerusalem.

Three times in the past 20 years the school's mock alecdential race. Senior party leaders from

In the separate ballot for

Winds of change sweep the Golan Heights Julian Ozanne detects a swing away from the unwavering opposition to returning the land to Syria

> rendering Mount Hermon and the evacuation of Jewish people as part of the price for peace," said Mr Sami Bar Lev, mayor of Katzrin, the main town on the Heights. "There will be a huge public outcry and the government will fall." The Israeli residents on the Heights are not like the Jewish settlers in the West Bank. Not even the rightwing Golan residents believe the Heights are an intrinsic religious part of the biblical land of Israel. A

up the Golan. They will never accept bringing Syria to the shores of Lake Tiberias, sur-

majority of Golan residents went to live there to escape life in the towns and cities. They received big government grants, and when israel annexed the Heights in 1981, they were told the Golan would be forever a part of Israel. They built spacious homes, put down roots, invested in businesses and developed a thriv-

According to Mr Uri Dorman, industry, produces annual income of Shk800m and provides 3,500 johs. Big businesses, such as the Golan Heights Winery, a mineral \$10m (£6.4m) abattoir and meat processing plant and an olive oil factory. "The approach is business as usual," he said. "We work on

the hasis that we are never leaving, whether the Syrians But its impossible to find a Golan settler who is willing to stay under Syrian sovereignty, even in the unlikely event Syria would agree to such a move. For men such as Mr

Tsur this is the most worrying aspect of peace; he has spent so much of his life developing the wind farm. He often spends days looking down from the ridge across the demilitarised border zone into Syria at a smaller Syrian wind farm 3km away. The Syrian wind farm rarely works and he wishes he could pick up the phone and call his Syrian colleague and offer some help.

"I love this land, this project and I love my home. If I had to choose I would stay forever but it's not a personal choice but a matter of the national interest. and peace is in the national interest. That means giving back the Golan to Syria," he said. "Would I stay under Syria? No thanks. They don't have a democracy and I wouldn't want to fall into the hands of the Syrian police. We will have to leave, regrettably, water bottling plant, and a and go and start again some-

"Israelis don't want to give

In a contest taken seriously by Israell politicians and media Mr Peres took 61 per cent of the vote for prime minister compared to 39 per cent for Mr Netanyahn among 17 and 18 year-old students at Blich High School in a middleclass neighbourhood near Tel



official said the discussions were inconclusive, Reuter reports Mr Christopher said afterwards he had a "good meeting" with

A senior US official cantioned against concluding that Mr Assad would not continue negotiations if Israel calls an early

Mr Warren Christopher, US secretary of state, yesterday made

new proposals for Israel-Syria peace negotiations in more than three hours of talks with President Hafez al-Assad. But a US

Israeli-Syrian negotiations have shown progress in the past few months but there are concerns the process could be put on hold, or even backslide, in the heat of an Israeli election. US officials acknowledge early Israeli polls could affect peace talks with Syria but insist the two sides have made such significant progress that an agreement in 1996 remains a very real possibility.

and Haifa and were stock on

A rightwing activist is jeered by Labour supporters among Blich High School students

car bumpers. Bnt the assassination of Mr Yitzhak Rabin, the prime minister, last November by a rightwing fanatic was a cathartic event for many Israelis, particularly those who were in favour of Mr Rabin's peace policles hut who chose to keep silent in a deeply intolerant atmosphere.

government's policy of return-ing the Heights to Syria in Now a group of Golan settlers in favour of peace, includ-They galvanised public opining Mr Tsur, have established ion, arguing that Israel could a forum and have hegun to have peace without giving up the Heights. They exploited speak out against the rightwing in an effort to influence fears that giving back the the peace process and mitigate Golan, which provides a third its worst effects. "I really used to think I was of Israel's water needs, would

a crazy guy sitting on top of

the hills shouting peace," said

bung from apartment balco- Mr Tsur. "But Rabin's death

to speak out. They didn't want to be seen by the rest of the country as rightwing fanatics and they realised Rabin was a great man who paid with his

life for reaching peace. "Peace with the Golan is a lovely slogan but most people here realise it's nonsense. If we are really going to make peace with Syria we are going to have to pay the price and that means giving back the whole Golan which is Syrian land," he said.

The extent of the crack in tha Golan settler movement. which only months ago was considered homogenous, was revealed in a poll last month. Forty-five per cent of Golan residents said they would vote yes in a referendum on full withdrawal in return for peace nies in Tel Aviv, Jerusalem made a lot of people bere start and security guarantees while

53 per cent said they would vote against. It showed that 66 per cent would be prepared to move if they had government

among Golan residents than among the Israeli public. In a poll which included a sample of tha entire Israeli adult population, 40 per cent backed full withdrawal in return for peace while 57 per cent opposed it. Forty per cent national sup-port for full withdrawal marks a substantial change in Israell opinion since Mr Rabin's death. The right wing accepts

compensation. What was more surprising, support for the government's Syria policy was stronger

that there has been a change in public opinion but says the majority still opposes surrendering the Golan.

ing community. an economic development official, public and private investment in the heights totalled Shk550m (£117m) hetween 1990-1995. The Golan economy. a mixture of agriculture and

large dairy are continuing to

Reuter, Abidjan

WORLD TRADE NEWS DIGEST

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US steps up banana fight

The US has returned to the offensive in its dispute with Brussels over the European Union's banana import regime by filing a second complaint at the World Trade Organisation. The new complaint has the support of Ecuador, as well as Guatemala, Honduras and Mexico which backed the first complaint last September.

Both claim unfair discrimination by the EU in favouring banana imports from African, Caribbean and Pacific (ACP) nations at the expense of Latin American producers, in violation of international trade rules.

US officials said yesterday that, for procedural reasons, it was simpler to file another complaint than for Ecuador to join the one already on the books, which will be withdrawn. Under WTO rules, Washington can ask for a panel to rule on the matter if consultations fail to resolve the dispute within 60

Two panels set up under Gatt, the WTO's predecessor, condemned the EU's banana import system but Brussels has since secured a waiver from WTO rules for the Lomé Convention which grants preferential trade access for ACP Frances Williams, Genevo

Regional groups prompt concern

The World Trade Organisation yesterday established a special committee on regional trade agreements with the aim of tightening its monitoring of free trade areas and customs unions. The committee will examine the consistency of regional trade groupings with international trade rules, taking over the work of 20 separate WTO working parties on individual regional pacts.

The committee will also look at the implications of proliferating regional arrangements for the multilateral system, reflecting concern about the collective impact of such arrangements, which increasingly have overlapping memberships but differing trading rules. Virtually all the WTO's 116 members belong to at least one regional grouping.

At its meeting yesterday the WTO's general council also agreed to set up a working party on membership terms for Kazakhstan and approved the draft protocol of accession for the United Arab Emirates, clearing the way for WTO

Puerto Rico aqueduct contract

A consortium of Thames Water of the UK and Dick Corporation of Pittsburgh, US. has won a contract to construct a \$356m aqueduct in northern Puerto Rico. The group will design, build and manage the 50 mile-long pipeline which will carry between 75m and 100m gallons per day by mid-1998. Dragos y Constructiones of Spain, one of the losing bidders, has filed a \$27m suit in Puerto Rico's superior court seeking an explanation of why it was not awarded the contract. Other bidders were Aguas de Puerto Rico, a consortium led by Lyonnaise des Eaux of France, and Grupo Superacueducto Metropolitano, led by ICA of Mexico. Camute James, Kingston

China Development Corp (CDC), a leading Taiwanese investment company controlled by the governing Kuomintang, plans to join a T\$20bn (US\$728m) venture between Taiwanese and foreign partners to huild a semiconductor plant. Taiwanese companies will put up 60 per cent of the investment. Syntek Design Technology, a Taiwanese company, and CDC will invest 25 per cent and 10 per cent respectively. Foreign partners, including three US semiconductor design companies, will take up the remaining 40 per cent of the shares. Shareholdings will be finalised this month. When the plant is operational in early 1998, monthly production capacity will start at 15,000 eight inch waters per month and move up to 35,000 wafers per month. Laura Tuson, Taipe

Bombardier, the Canadian aerospace and equipment group. is opening a representative office in Beijing to promote its commercial executive and utility aircraft. B delivered 30 aircraft to China and recently linked with Aviation Industries of China for future production Robert Gibbens, Montreal

ABB Asea Brown Boveri, the electrical engineering group, has formed a joint venture in China to produce low-voltage industrial motors for the Chinese and international markets. The Shanghai venture, 55 per cent owned hy ABB, will employ more than 1,200 people.

■ Offshore Systems International, a Vancouver electronic charting pioneer, is to supply C\$2m (US\$1.4m) of specialised circuit boards to Hughes Aircraft for upgrading the navigation systems for 800 US coastguard and navy ships. Robert Gibbens

Giant airliner contest kicks off

By Michael Skapinker in Singapore

oeing and Airbus yesterday signalled the start of a battle to build "super-jumbo" aircraft capable of carrying more than

500 passengers. Mr Borge Boeskov, vice-president of Boeing's commercial aircraft group, said at the Asian Aerospace show that the US company expected to announce the start of work on the Boeing 747-600X hy the end of the year. The aircraft would have a similar range to the Boeing 747-400 but with 100-135 more seats. The Boeing 747-400 carries up to 400 passengers.

Mr John Leahy, senior vice-president of Airbus, said the consortium would begin developing its 550-seat A3XX by the end of oext year so that it could begin commercial service between 2001 and 2003.

The announcements come after the breakdown last year of talks between Boeing and the Europeans on building a joint Very Large Commercial Transport (VLCT), capable of carrying up to 800 passengers.

Boeing and the four companies which own Airhus -Aérospatiale of France. Daimler-Benz Aerospace of Germany, British Aerospace, and Casa of Spain - concluded the market was too small to justify the estimated \$16hm development cost. Only British Airways and Singapore Airlines had expressed an interest in the VLCT.

The advantage of the smaller projects announced yesterday is that development costs would be lower. Airbus says its aircraft will cost \$5hn to develop. Mr Boeskov declined to say how much the Boeing 747-600X would cost.

The sum will, however, be lower than the cost of huilding the A3XX because Boeing will base tha aircraft on existing 747 technology. Airbus, which does not have an aircraft the size of the Boeing 747, will have to develop its aircraft from scratch. Mr Leahy says he believes Boeing will have to spend \$3.5bn on its aircraft, although some aerospace analysts believe the cost could be as low as \$2bn.

Airbus was considering asking European governments to contribute, Mr Leahy added. Under a treaty couclided by na the Europe Union in 1992, governments can contribute one-third of the development cost. European governments are unlikely to welcome the idea, but Mr Leahy believes Airbus will be abla to demonstrate that they would receive a healthy return on the investment.

Airbus was also asking companies outsida the consortium to participate in and contribute financially towards the project, Mr Leahy said

LEGAL NOTICES

COURT OF ROME BANKRUPTCY SECTION

Bankruptcy no. 52748 of immobiliara Francasca '81 s.r.i. At 12.30pm on 19.02.1996 the Official Receiver Dott.ssa De Virgiliis Is to sell small building in Montalcino (Siena, Italy). Base price Lit. 536,000,000 and Lit. 15,000,000 for the furniture. 25% deposit by 1pm on 16.02.1996. Receiver Tel. +39 774 608677/608765

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ADDITIONAL VOLUNTARY CONTRIBUTIONS

In February 1991, the Department of Health, Scottish Office Pensions Agency and Department of Health and Social Services, Northern Ireland extended the range of AVC facilities available to members of the National Health Service pension schemes by introducing a money purchase AVC arrangement and additional options for benefits payable on death in service.

The Departments are reviewing the current arrangements and invite applications from institutions authorised to conduct AVC pensions business which would be interested in acting as AVC provider to the schemes. Only institutions providing AVC facilities as principals should apply. Proposals from agents or intermediaries will not be considered. An applicant may propose a partner in order to be able to bid for the range of AVC facilities being considered.

Total contributing membership of the three pension schemes is around one million. It is expected that the AVC provider will offer worthwhile concessions on management and other charges and favourable administrative arrangements including assistance with the monitoring of emerging benefits against Inland Revenue limits.

Interested organisations should ask for a more detailed specification from Mrs Carol Tebbs, NHS Executive, Department of Health, 200/220 Broadway, Fleetwood, Lancs FY7 9LG Tel 01253 774501 and shold note that all applications must be sent to the same address by no later than 5 March 1996.

A formal notice will appear in the Official Journal of the European Community.

Tokyo pledges latest move to liberalise markets will start within two months

Asset-backed securities for Japan

By Gerard Baker in Tokyo

The Japanese government yesterday said it plans to open an asset-backed securities market within the next two months, in the latest move towards liberalising its financial markets.

The announcement followed a day of meetings in Tokyo between finance ministry officials and their US counter-parts. The two eides were reviewing progress made by the Japanese in opening up the country's markets uoder a financial services agreement reached with the US in Janu-

ary 1995. "I told the US officials that wa will introduce an assetbacked accurities market within this fiscal year [ending

Kuroda, a senior deputy director general of the ministry's international finance hureau. It was the first time Japan had given the US a firm date for the introduction of such securi-

Asset-backed securities are traded instruments whose value is determined by the value of an underlying asset or

They have been widely used in other countries' financial markets, most often in the form of repackaged loans by banks and other financial institutions. They have proved effective in providing greater liquidity in markets.

They may be able to facilitate a quicker resolution of banks' bad loan problems if in

their Japanese form they include property collateral. Banks are at present unable to dispose of the non-performing loan without disposing of the collateral, but if the loans can be repackaged as asset backed securities, they could be

US officials welcomed the move, saying it would benefit the Japanese economy and was in the broader interests of freer markets. US investment banks have considerable experience in handling asset-backed securitles and are widely expected to benefit from the developmeot of such e market in

The US government also praised the Japanese side for the impressive progress made on its other main commit-

Japan.



for progress on commitments

Larry Summers: praised Japan

the agreement to open up new opportunities in the financial sector," Mr Larry Summers, deputy US treasury secretary, in Washington, said. However, he warned that the

These pledges included

important moves towards

deregulation of corporate pen-

sion funds, liberalisation of

other domestic securities mar-

kets, and the easing of restric-

tions on cross-horder capital

bas delivered an extensive

number of legislative and regu-

latory changes required under

"The Japanese government

US still expected to see Japanese progress in other areas, most notably an increase in the current limited disclosure of financial information by

Alenia and Lockheed agree aircraft study

By John Simkins in Milan and Bernard Gray in London

Alenia, the Italian aerospace company, and Lockheed Martin of the US said yesterday they had agreed to study jointly a new medium-size military transport aircraft.

The aircraft, designated the C-27J, will be based on Alenia's existing G222 but would be upgraded to include new technology which Lockheed has included in its latest version of the Hercules transporter. The study will be small scale at first, but could be expanded to full development if potential customers express interest.

Studies of the new aircraft are part of an offset package to place work in Italy in return for an Italian order of 18 new

Lockheed C-130J Hercules transporters. The Italian Sen-ate has approved the \$1hn Hercules order, provided an offset package is agreed.

Development of the C-27J would take three years, and production could start in 1999 if launch customers could be found. The main user of the G222 is the Italian Air Force. The US Air Force and some less developed countries also operate small oumbers. Italy also intends to partici-

pate in development of a Euro-pean Future Large Aircraft, a direct competitor to the Hercules, along with the Airbus partners, France, Germany, Britain and Spain. The FLA will cost at least \$5bn to develop, and Italy has said it will order 45 aircraft to win a 20 per cent

share of the programme. The Italian order for C-130J aircraft may disturb its potential FLA partners, whose commitment to the FLA project is also in question. Britain has already bought 25 C-130Js and France intends to order six to eight of the Lockheed aircraft to fill urgent requirements.

With European countries increasingly buying the C-130J, and budget pressures high, the FLA project risks being delayed. Only Germany has so far committed itself to substantial development spending on

While the FLA will be larger and faster than the C-130J, it will also be much more expensive. Estimates suggest each aircraft might cost \$140m, against \$40m for the Hercules.

Airbus, which is running the FLA programme, is hoping to reduce these costs substantially by using civilian manufacturing methods for the military aircraft. Alenia, which believes its

experience in producing the G222 justifies it taking a leading role in the FLA, said yesterday that its priority in the 30 to 200 tons class of tactical airlift aircraft remained participation in the FLA programme. In its programme with Lock-heed, Alenia is aiming at a budget version of the G222.

The company, part of the statecontrolled Finmeccanica, predicts a potential market for the G222 and the upgraded C27J, outside Italy, of 400 aircraft until 2014,

Only orders from outside

Italy would count towards the offset package needed to sat-isfy the Italian government. Manufacture of the C27J will

be shared by Alenia, other Italian aerospace concerns and Lockheed Martin, which is based in Marietta, Georgia, Final assembly will take place at Alenia's military aircraft plant at Caselle, near Turin. and sub-systems manufacturing will be carried out in the

The twin turboprop G222 is capable of hauling 8 tons over 1,000km, or fiva tons over 2,500km, at a cruising speed of 500km per hour. The C27J will be based on a version of the G222, known as C27 Spartan, developed in co-operation with plied to the US Airforce.



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Asian team to warn Europe on summit agenda

By Ted Bardacke in Bangkok

An Asian delegation arriving in Rome today for two days of prepara-tory talks on next month's summit between European and Asian leaders is carrying a stern warning.

The delegates say that raising the delicate and potentially embarrassing issues of buman rights and democracy would damage the success of the meeting, designed mainly to foster trade and investment and promote regional stabil-

That message emerged from a recent meeting of Asian foreign ministers, who decided such issues were "not relevant" to ties between

the two regions.
"For the first dialogue to be successful, controversial and non-relevant issues should not be brought up," Mr Ali Alatas, Indonesian for-eign minister, said. "I can think of at least 10 isaues to serinusly

embarrass the Europeans, but we're not considering raising them."

(Asean) - will he held in Bangkok to the World Trade Organisation, as on March 1-2. Asian countries are well as world telecoms liberalisanot considering raising them. Such issuea included human rights in Bosnia, Chechnya and Northern Ireland, Asian officials

The first-ever summit, to he attended by heads of state of the 15 members of the European Union and 10 Asian nations - Japan. China, and South Korea, plus the seven members of the Association nf Sonth-East Asian Nations

on March 1-2. Asian countries are interested in engaging Europe to balance their complicated security and trading relationship with the US. partly institutionalised under the Asia Pacific Economic Co-opera-

tion forum. Europe would like to see increased trade and investment with the fast-growing Asian economies and wants increased co-ordination with Asia on topics presented

tion. Some European countries. notably Sweden and Portugal, are understood to be considering speaking out on human rights in China and East Timor. Other European leaders may raise queations on child labour.

Promotion of political dialogue, reinforcement of economic co-opera-tion and the future of Asia-EU rela-tions could be discussed. Tha has Asian officials worried Euro-pean leaders could derail the process by arguing too strongly nn points the Asians feel are cultural-specific rather than universal.

This is an opportunity for both sides to co-operate, not pick at each other's faults," a senior Thai foreign others tauts, a senior that foreign ministry official stated. Further summits could be held every few years, depending on a "friendly atmosphere", the official said.



Hungry N Korea on short fuse

ashington's decision last week to provide emergency aid to help alleviate food shortages in North Korea marks a further shift in US attitudes towards Pyongyang, and a recognition of the possible dangers of a famine-induced destabilisation of the Korean peninsula.

The US announcement that its International Development Agency would provide \$2m (£1.2m) through the World Food Programme appears to bave been made less for bumanitarian reasons than out of real concern about a deteriorating economic and social environment in North Korea.

Pyongyang has appealed to the international community for huge food aid to help it deal with widespread shortages caused by devastating flooding last year in its main grain-growing regions. It says that 500,000 people are in immediate danger and several millions are being affected, including 2.1m children and 500,000 preg-

nant and nursing women. Worries about mass starvation and the threat this may pose to an unpredictable regime in Pyongyang, allied with alarm about a possible refugee exodus from North Korea, are overriding perceived short-term results that might accrue from the sudden collapse of the world's last Sta-

linist dictatorship. The US, which reached agreement with Pyongyang last year on assistance for a peaceful nuclear programme, has some 37,000 servicemen stationed on the Korean peninsula, and nuclear weapons in place. It has much to fear from a messy destabilisation.

According to Western officials in Beijing, nations with the most immediate interest in

TENDER NOTICE

UK GOVERNMENT

ECU TREASURY BILLS

For tender on 13 February 1996

1. The Bank of England announces the Issue by Her

Government ECU Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-vield basis on Tuesday, 13 February 1996. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.

2. The ECU 1,000 million of Bills to be Issued by tender will be dated 15 February 1996 and will be in the following

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services (formerly Securities Office), Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 13 February 1996. Payment for Bills allotted will be due on Thursday, 15 February 1996.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made nn a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is mede, the yield bid end the amount tendered for.

amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit ol Bills in global form to their account with ESO, Euroclear or CEDEL, Bills will be credited in the relevant ayatema against payment. For applicants who have requested delinitive Bills, Bills will be available for collection at Customer Sattlement Services Bank of

requested delinitive Bills, Bills will be available for collection at Customer Settlement Services, Bank of England after 1.30 p.m. on Thursday, 15 February 1996 provided cleared funds heve been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Pk, Bank Relations, St George's House, PO Box 787, 6-8 Eastcheap, London EC3M 1LL. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000 and ECU 10,000,000 normal.

Her Majesty's Treasury reserves the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf ni Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of the Information Memorandum (es supplemented) and to the provisions of this notice.

9. The ECU 50 million of Bills to be allotted directly to the Bank of England Inr the account of the Exchange Equalisation Account will be for maturity on 15 August 1996. These Bills may be made available through sale and repurchase transactions to the market makers listed in the information Memorandum (as supplemented) in order to facilitate settlement.

10. Cnpies nl the Inlnrmation Memnrandum (and supplements to it) may be notained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1988 and the Treasury Bills Regulations 1968 es

* The asterisked maturity dates are ECU nnn-clearing days. As stated in the Information Memorandum issued on 28 March 1989, in the event that any maturity date specified Inr any issue of Bills is not a business day, payment will be made on the succeeding business day without any interest or other sums in respect of the delay in payment.

supplemented) in order to facilitate settlement.

Bank of England 6 February 1996

maturities:
ECU 200 million for maturity on 14 March 1996
ECU 500 million for maturity on 16 May 1996
ECU 300 million for maturity on 15 August 1996

destabilisation in the region, writes Tony Walker

make It difficult to predict

Korean stability, including the US, Japan and South Korea are considering three broad scenar-

■ Implosion, in which economic hardship and famine precipitated a violent leader-ship struggle causing the destabilisation of North Korea and the mass outflow of refu-

gees.

Explosion, in which a desperate regime in Pyongyang sought to rally people on the brink of starvation by engag-ing in a reckless act of war

 Soft landing, in which present relief efforts played their part in helping North Korea muddle through its present difficulties, the country stabilised and continued its gradual opening to the outside world. North Korea's opaque sys-tem, its hermit-like leadership, and its weird responses on

which course Pyongyang might follow, but its parlous economic state renders the outlook bleak.

"I am not very optimistic about the long-term viability of the regima," said a Korea specialist among western officials in Beijing. "International relief efforts may alleviate the situation in the short term, but it will not be easy for a rigid Stalinist system to evolve peacefully towards a more open soci-

This is by no means a universal view, however. Mr lan Davies, a consultant to United Nations Development Programme'a Tumen River scheme, in which North Korea is a participant, believes Pyongyang is bent on follow-ing China's example and gradually opening its economy to the outside world.

The UN is promoting the Tumen River area, where

China, Russia and North Korea meet, as a new economic zone involving the neighbours and Mongolia. North Korea, according to Mr Davies, is the most enthusiastic of participants.

The North Koreans pretend

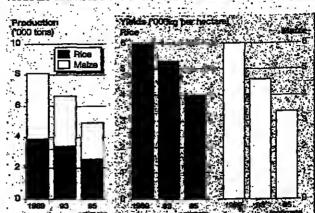
nothing is happening, but tha reality is that there are major economic changes taking place, but they don't call them changes," he says. Mr Davies is also sceptical

sbout the seriousness of the famine, pointing out that Pyongyang has belatedly dis-covered foreign aid in the same way that Beijing did in the early 1980s. But international relief agencies, whose representativea

have been on the ground in North Korea since last October, have no doubt the country is facing a full-blown crisis. They attribute this partly to the severe flooding of last July

disastrous state of the coun-

North Korean rice & maize: unstable staples



try's state-dominated agriculture, reminiscent of problems caused by the collectivisation of Chinese agriculture in the

1960s and 1970s.
The UN's Food and Agriculture Organisation and World Food Programme, in a devastating report on North Korean agriculture completed last December, noted a catastrophic slide in output of staple rice and malze to 4.9m tonnes in 1995 from 8.1m tonnes in 1989, a drop of sbout 40 per cent.

The FAO/WFP report estimates a shortfall in production of 1.7m tonnes in 1995, half of which is attributable to farming problems and half to floods. Per capita availability of food grains had slid from 345kg In 1989 to 222kg in 1994. The figure will drop further

North Korea, the report said,

\$10m already promised. caused by a stagnating economy, a demoralised workforce, investment, chronic fuel short-ages and crumbling infrastrucbe a warning of worse to come. FAO/WFP Crop and Food Sup ply Assessment Missions to the Democratic People's Republic of Korea. December 1995. FAO, Via della Terme di Caracalla, 00100 Rome, Italy

US aid seems to have been prompted by fears of

ios. These would Involve:

against a common enemy namely South Korea

many internstional Issues

and August, and also to the

Anthony Lake, US national security adviser, whn is holding discussions in Tokyo and Seoul on a comprehensive

North Korean policy.

South Korea has previously rejected suggestions that it should help finance the fuel oil deliveries because it has already promised to fund most of the \$4bn nnclear reactor project for North Korea. Meanwhile, the US is seeking other possible financial donors for the North Korean oil deliveries. It has approached the European Union, but "Brussels is

will need 6m tonnes of food grains to feed itself in 1996, but at this stage domestic production, imports and food ald would cover just 4.8m tonnes, leaving a shortfall of 1.2m tonnes. Clearly, additional foreign aid is required beyond the

In the longer term, this assis-tance will not solve North Korea's economic difficulties, lack of foreign exchange and ture. The present famine may

Alatas: issues 'not relevant'

ASIA-PACIFIC NEWS DIGEST

China closer to freeing currency

China has issued new regulations aimed at further preparing tha way for full convertibility of its currency. Under the rules sporoved by state council, or cabinet, rights of foreign spproved by state council, or cabinet, rights of foreign investors to repatriate profits, dividends and interest have been codified. But China stopped short of lifting the requirement that foreign funded enterprises be subjected to an annual audit of their foreign exchange transactions to ensure they "balance" inflows and outflows, and meet other contractual obligations.

The International Monetary Fund has been pressing China to and its archaic "balancing" system for foreign exchange transactions, but the People's Bank of China fears that such a step would mean loss of control.

"We don't want to see chaos caused by capital inflows and outflows in huge amounts at a stage when controls are weak, said the state administration of exchange control. A western banker said the new regulations in effect formalised existing practices, while representing an "incremental" step towards full convertibility. The benchmark for foreign exchange transactions would be set according to rates in the Shanghai interbank market - established last month - under a pilot programme. The IMF believes that China can afford to be more adventurous in moving towards full Tony Walker, Berjing convertibility.

Australian tariff cuts 'to stay'

Australia's federal opposition yesterday pledged to stand hy existing tariff reduction schedules if elected at the March 2 elections. In its industry policy, published yesterday, the Liberal-National coalition also said it would push for a second board on the Australian Stock Exchange, on which smaller, higher-risk companies could be listed, but would retain the 150 per cent tax concessions on research and development work.

The opposition coalition is currently ahead in the opinion polls, although the latest Newspoll, published yesterday, showed s slight narrowing of the gap. It gave the coalition s seven percentage point lead, down from 10 percentage points before campaigning began.

Nikki Toit, Sydney before campaigning began.

Nikki Toit, Sydney

Mr Paul Keating unveiled a health programme which would
cost A\$1bn (US\$740m) in the first two years and more than A\$400m a year after that. It aimed to cut surgery delays, provide rebates for private health insurance fees and improve care for the elderly: Reuter, Canberra

Taiwan warns news services

Taiwan has warned real-time news services not to relay unconfirmed reports concerning Talwan-China relations before domestic media have had a chance to report them. The warning, by the country's Securities and Exchange Commission, comes after Taiwan's share prices moved sharply when Hong Kong newspapers reported this week that China planned s large-scale military exercise near Taiwan in the run np to next month's presidential election..

The SEC's regulator yesterday said he had urged the Taipei Stock Exchange to monitor investor information in order to stabilise share prices before the election. News agencies should not lightly input unconfirmed reports relating to estic media dave red them, so as to prevent interfering in the normal operations of the market," the securities regulator said. It was not clear how the measures are to be enforced. Laura Tyson, Taipei

Call to reform India party funds

A leading overseas Indian businessman, Mr Srichand Hinduia. chairman of the Hinduja group, has called for a new system of state funding for Indian political parties to combat scandals such as those which have hit lesding politicians in the past month. "No one has really got down to solving the problem at its root level: collection of party funds from the parallel economy," Mr Hinduja said. Punds could be raised for parties through a levy of corporate and individual taxpayers in India which would not widen the budget deficit. Non-resident Indians should also contribute \$10 s year. In return they should be given the right to vote. Peter Montagnon, Asia Editor ■ The ruling Bangladesh Nationalist party, unveiling its manifesto yesterday for a general election next week, said it would not renew a 25-year friendship treaty with India if it won a second term in office.

'Comfort women' plea rejected

The Japanese government said yesterday it would reject recommendations by a United Nations special investigator to compensate "comfort women" forced to provide sexual services to the Jspanese army during the second world war.
Mr Ryutaro Hashimoto, prime minister, said his government would take the necessary legal counter-measures to revoke the report, submitted to the UN Commission on Human Rights. While the report calls for Japan to apologise and compensate individual comfort women, the Japanese government believes that it has no ohligation since it set up a compensation fund in July last year to raise money from individuals and

TOKYO AND SEOUL MAY FUND FUEL OIL SUPPLIES

Japan and South Korea should consider financing fuel oil deliveries to North Korea threatened with delay by Washington's budget crisis, Mr Yukihiko Ikeda, Japan's foreign minister, sald yesterday, William Dawkins reports from Tokyo and John Burton from Seoul.

US officials worry that any supply delays could provide North Korea military hardliners with s pretext to scrap the 1994 agreement under which Pyongyang agreed to dismantle its suspected nuclear weapons programme.

Washington agreed to provide 50,000 tonnes of oil s year until North Korea can assure its energy needs with two new

light-water reactors, which cannot be

turned to military use.
"We should co-operate among Japan,
the US and South Korea and consider a realistic action if it is an Issue of a stopgap payment" until the US resolves the budget dispute, said Mr Ikeda.

He was responding to a plea by Mr Walter Mondale, US ambassador to Tokyo, who expressed fears the US hudget dispute might not be resolved in time for the disbursement of an estimated \$12m. (£8m) needed to fund the oil deliveries to North Korea this month and next. The issue is expected to be discussed

today hetween Japanese officials and Mr

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unlikely to make up its mind about approving funds in the near future," one

European diplomat in Seoul said.

Suharto against 'irrelevant' levies

in Jakarta Indonesia's President Suharto has ordered ministers to revoke unnecessary levies which have earned the country s reputation of a high-cost economy. His move follows s rare public protest against a tax on beer being charged and collected by a company owned

by Mr Suharto's grandson.

After meeting the president, Mr Abdul Latief, manpower minister, quoted Mr Suharto as saying the government "must encourage the revocation of irrelevant levies" to help increase the competitiveness of

Indonesian goods. It is the second time in less than a week that the president has indicated through a minister that he wants levies removed. Indonesian husinesses have grumbled quietly for a long time that they are vulnerable to an array of official and semi-official levies imposed hy middlemen on

goods and services. Indonesian brewers await confirmation that authorities on the island of Bali will scrap a tax on beer. Last month brewers stopped beer supplies

Rp400 (17 US cents) a bottle levy charged by Arhamass Multi Invesco, owned by Mr Ari Sigit, President Suharto's 25-year-old grandson.

The Bali boycott was led by the publicly listed Multi Bintang, which is 75 per cent owned by Heineken of the Netherlands, as well as Delta Jakarta, the Anker heer producer partly owned hy San Miguel of the Philippines, and the unlisted brewer BaliHai. Mr Rene Hooft Graafland,

president of Multi Bintang, said be welcomed the state-ments as evidence that "Indonesia sticks to its principles of [economic] deregulation". The fact that foreign compa-

nies were involved in the hrewers which made the complaint may have helped the industry group to press its case. Indonesia has liberalised its foreign investment regulations in an effort to improve its competitiveness in the region.

In a rare condemnation of

the presidential family'a husiness activities, Indoneslan newspapers joined the brewers' outcry against the tax, referring to levies of the sort as "blatant rent seeking".

companies. Emiko Terazono, Tekyo

India acts to stall slide in rupee

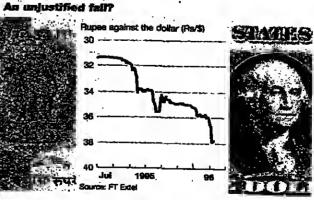
By Mark Nicholson In New Delhi

Protestations from Indian officials that the rupee's recent slide was unjustified given India'a economic fundamentals, helped steady the currency yesterday after Monday's sharp fall from Rs36.79 to Rs38.06 to the dollar. But dealers said the rupee would remain vulnerable without strong central bank interven-

committed an estimated \$1bn (£670m) in sporadic intervention this month as the dollar's strength, and domestic political jitters, helped fuel a run on the rupee. The slide has been sharply

The central bank has already

accelerated in the past few days by importers covering heavily against expected fur-ther falls. Exporting companies have also been delaying the remittance of foreign earnings. The rupee closed yesterday at Rs37.70 to the dollar after



breaching Rs38.35 during the day, rallying slightly after Mr Tejendra Khanna, commerce secretary, said the Reserve Bank of India should Intervene "strongly" to push the rate closer to a "preferable" Rs34.50 to Rs35. This level, he said, reflected the commerce and finance ministries' assessment of the rate in line with India's trade flows and inflation posi-

The bank remained sidelined and instead convaned an emergency meeting of bank treasury beads in Bombay to dis-cuss measures to curb the rupee's fall from Rs35 since early January. The bankers are understood to have said that only concerted intervention would support the currency.
"There's no supply of dollars

The bank has left the market guessing, intervening only lightly on Monday, though Mr C. Rangarajan, central bank governor, then issued a state-ment that the rupee's plunge was "out of line with the fun-damentals". He said the bal-ance of payments position remained strong, with exports in the year to December np 24.17 per cent and imports up 29.27 per cent. However, the recent mini-crisis bas revealed India's thin

and there's panic on the importers side," said Mr Rav-need Choudhury, treasury

manager at Standard Char-tered in New Delhi. "Every exporter is saying we'll only remit when the rupee goes to

sis bas revealed India's thin forex market to be highly susceptible in relatively modest speculative sums, allied to the leads and lags of import and export flows. "If deals of \$25m can move your national surrency, then heaven help it." said one Romhay hanker. said one Bombay banker.

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FINANCIAL TIMES WEDNESDAY FEBRUARY 7 1996 DRIVING RAIN DRIVING WIND

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UK NEWS DIGEST

German states ban UK beef for BSE fear

Caroline Southey in Brussels and Alison Maitland in London

Three of Germany's federal atates yesterday acted to balt imports of British beef because of fears of bovine spongiform encephalopathy or mad cow disease.

Following the expiry of regulations that permitted imports of UK heef from animals younger than 2½ years. North Rhine Westphalia and Bavaria announced that they would send back consignments of British beef while Rhineland Palatinate imposed s general ban on imports of UK beef and a

Defence

ministry

to cut back

Britain's Ministry of Defence

is to prune the number of lav-isb "official service residences" used by senior officers

from 75 to 44 in the wake of

the scandal over Air Chlef

Marsbat Sir Sandy Wilson's £385.000 (\$581,350) refurbisb-

ment of his Haymes Garth offi-

However, most of the 31

unlucky residents of the

excluded houses, who were informed of the change vester-

day, will remain where they are and their bomes will be

redesignated as ordinsry

The MoD said that the main

savings from the changes

would come from reduced

staffing of the remaining offi-

cial bouses. Currently staffing

the residences costs £5m a year, but staff numbers are to

be reduced from 234 to 108.

The changes are a response to Sir Peter Cazalet's investi-

gatioo of the grand houses

used by senior officers for offi-

cial entertainment, commis-sioned in the wake of the

Officers will also no longer be paid a daily entertainment

allowance, which ranged up to

£20 a day for admirals and

cost the MoD 25m last year. Instead will be forced to

account for entertainment

of the downgraded bouses will

be forced to leave, the properties will no longer he reno-

vated with "enhanced fixtures and fittings" when they fall dne for redecoration.

Some residences will be sold.

Hong Kong, The Mount in Gib-

raltar and Field Marshal Vin-

While few of the occupants

Haymes Garth fiasco.

expenses as they go.

"married quarters".

residences

Defence Correspondent

By Bernard Gray,

ban on slaughtering cattle from the UK and their offspring in the state. The action prompted an aggrieved esponse from the British embassy in Bonn, it said the bans breached German obligations to comply with European Union beef export rules and that Britain would seek EU commission

action to enforce these rules. Yesterday's bans on Britisb beef imports came after the federal government in Bonn had refused to accept s unanimous call from the Bundesrat. the chamber of parliament representing Germany's federal states, for a halt to beef imports from Britain. The Bonn government argued that

the regulations approved by the Bundesrat contravened EU law. The stand-off between the two sides to revoke the decision. If it falls to do so the only course open to the Commission would be to challenge the resulted in the previous regulations expiring yesterday without any

The European Commission said yesterday that the German state's action appeared to he illegal. But, an official. said the Commission still had to examine the decision in detail.

The official added that if the Com-

mission stuck to the view that the action was illegal, "we will have no choice but to take action" against

"The Commission will ask Germany

German decision in the European Court of the official said.
"If member states no longer observe

EU rules we will not have a single market any more. The Commission is obliged to ensure EU states uphold EU laws," the official said. The UK's ministry of agriculture

said it was concerned the move was illegal under EU free trade rules. "We want the Commission to stamp it out

as quickly as possible."

Sir David Naish, president of the National Farmers' Union, yesterday

Eurosceptics, accusing them of under mining Britain's negotiating position in Europe.

He said there were times when Britain's competitors must be "rubbing their hands with glee and downing another schnapps to the success of the Eurosceptics".

His outspoken remarks were supported by a union survey of over 400 members showing that 64 per cent thought the government's stance in Europe had been too sceptical and had reduced Britain's influence. Some 60 per cent believed that EU membership had benefited UK agriculture.

expansion of PM's authority

Labour weighs

Labour is considering creating a powerful prime minister's office by merging the functions of Downing Street and the cabinet office if it forms the next government. The proposal is likely to arouse concern among many backbenchers and several members of the shadow cabinet who are already worried by the centralisation of authority under Mr Tony Blair, the next leader

One proposal is to create an enlarged department of the prime minister, enabling him to keep in closer touch with

government departments and party headquarters.

Several senior Tory and Labour figures believe a further reinforcement of the prime minister's office is necessary. reintorcement of the prime minister's office is necessary. Prime Minister John Major currently has a staff of 93, small by the standards of other world leaders and in comparison with other UK departments. The cabinet office has expanded, largely by taking on the deregulation, competitiveness and public services portfolios.

John Kampfner, Chief Political Correspondent

N Sea oil output set to peak

Britain's North Sea oil production is set to peak next year then decline by 5 per cent annually, it was forecast yesterday. But gas production is set to increase, with "very large" increases predicted for British and Norwegian fields.

The forecast was made by Mackay Consultants, in a new eight-country North Sea report covering the period to 1999.
Britain's forecast oil production of 133.4m tonnes this year is set to rise to 137.8m next year, then fall to 129.7m tonnes in 1998 and 116.5m tonnes the year after.

Norway is forecast to rise from 150.8m tonnes this year to 159.7m tonnes next year, 167.9m tonnes in 1998 and 173.1m tonnes in 1999.

Norway overtook Britain in 1991 as the world'a leading offshore oil producer. By 1999 it will account for 57 per cent of North Sea production compared with Britain's predicted share of 38 per cent, said the Inverness-based economic and manage-

Motorola to invest \$175m in HO Motorola, the US electronics group, plans to invest £116m (\$175m) in a new European headquarters facility for its wireless telephone network infrastructire division on a green-field

site north of Swindon. The division, which currently employs 1,400 people in Swindon and a further 750 elsewhere in Europe, is responsible for the design and manufacture of Motorola equipment used in the latest generation of digital networks based on the GSM (global system for mobiles) pan-European standard.

Motorola, which came to Swindon's Euroway Business Park in 1989 with 45 employees, said the new facility would not necessarily result in new jobs, but could evetually be expanded to provide up to 1m square feet of office space, and house up to an additional 700 employees over the next five years.

Construction is due to begin in November, subject to planning and other approvals, with completion scheduled for the

Schools computer deal rapped

A government decision to award a £2m (\$3.2m) contract for multimedia computers in Welsh schools exclusively to PC compatible computers, excluding both Acorn and Apple. provoked controversy yesterday.

The PC format has so far failed to reach the same level of

dominance in UK education as it has in other sectors, and this was the first time a government contract had been awarded exclusively to one supplier - UK company Research Machines. The National Council for Educational Technology said it had made the decision because of the wide range of software available in the format. Acorn said the decision "effectively denies schools their choice".

John Authers, Education Correspondent

Italian battery maker for Wales

Italy's leading manufacturer of batteries for fork-lift trucks and other materials handling equipment said yesterday it had made an initial 21m (\$1.51m) investment in a plant in south Wales in a move to develop its European market coverage. Fiamm, based in Montecchio Maggiore, near Vicenza in northern Italy, said it had bought the assets of Oakdale Batteries from the receivers and that it expected to employ about 50 people. Oakdale, which has a 25,000 sq ft factory at Crumlin, Gwent, had been a leading UK manufacturer of tractive batteries. Last December, its directors asked Barclays, its bankers, to appoint administrative receivers. About 60 people were made redundant,

Fiamm said it planned to invest £10m over the next four to five years. The company, which had a turnover of L700hn in 1995 and is the third largest European motive power battery maker, has plants in France, Austria and the US as well as in John Simkins, Milan and Roland Adburgham

Landfill tax liability lifted

The British government last night abandoned controversial plans to make directors of companies personally liable for the payment of the new "green" landfill tax.

Mr David Heathcote-Amory, the paymaster general, said that he was sympathetic to critics of the liability clause which is contained in the finance bill. Treasury sources said that the

Law Society. Critics said the clause undermined the tradition of limited liability.

Jim Kelly, Accountancy Correspondent

Wheel supplier hails investment payback

By Peter Marsh in London

Bob Morgan has a ready answer for those who ask about the likely payback from a two-year, £10m (\$15.1m) investment and a doubling of his training budget.

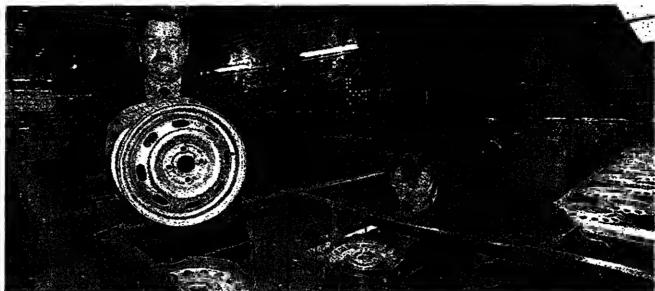
Mr Morgan, managing director of Dunlop-Topy Wheels, Britain's biggest and Europe's fourth largest supplier of car wheels, points to steadily expanding output and a special quality commendation last month from General Motors, the world's higgest automotive

But just a few roads away in the Midlands city of Coventry, it is a different story for Clearplas, a similar-sized company which also makes parts for the vehicle industry.

Suter, the industrial company which owns Clearplas, said this week the business was likely to close with the possible loss of 440 jobs. This is in spite of £7m of capital spending during the past three years and a 50 per cent increase in annual sales over this period to some £23m.

The contrasting fortunes of the two companies illustrate the narrow line between success and failure in the vehicle parts industry - which in the UK has enjoyed a large increase in sales volumes on the back of big investment in car plants but where profits are under relentless pressure.

Following the lead set hy Toyota, Nissan and Honda, the Japanese car companies with UK production bases, most of the big European based automotive businesses monitor their suppliers virtually non-



Revolutionary: Bob Morgan displays a winning wheel. His company won a quality commendation from General Motors Pechana News Town

continual "cost down" pro-grammes to get them to reduce

product prices. The suppliers know that unless they indicate a constant desire to improve quality and keep costs under control they may be dumped from the next set of new-model orders. The pressure by the car

groups is in turn driven by heavy competition in the vehicle market, which across Europe is showing signs of overcapacity as manufacturers braced for another disappointing year after a dismal 1995.

Explaining the reasons for Clearplas's likely closure, although selling the plant remains an option, Mr David Abell, Suter's chairman, said the plant was "not viable" given the moves by car companies to push down costs. "We

were having to spend millions of pounds just to stand still."

In the past three years, Clearplas, which makes plastic trim parts mainly for Rover, part of the German BMW car group, and Ford, has taken on about 140 new employees to cope with increased orders. However, It is barely profit-

At Dunlop-Topy - owned 85 per cent by industrial group BTR and 15 per cent by Topy Industries of Japan, the country's biggest wheel maker the mood is more upbeat. The company is expected to turn out this year about 7m wheels, worth some £46m. Mr Morgan is especially

proud that his company is the first of GM's 1,500 European US-derived technical standard Sumitomo Rubber of Japan. called the QS-9,000 that certi-"Witbout the productivity improvement that came with fies motor parts groups according to quality and reliability.

Asked to justify the compa ny's £500,000 a year training programme - up from half this level two years ago and which seeks to encourage teamworking and self-assessment among the 450-strong workforce - Mr Morgan points to a new order gained a few months ago from Land Rover, part of the Rover group, and which is likely to

be worth some £2m a year. He said he had heard from Land Rover that it was considering giving the contract - for 100,000 wheels a year for a remodelled version of its Discovery vehicles - to a competitor such as Lemmerz of Germany or Dunlop Roues, a

the training, I don't think we would have got the order," said Mr Morgan who was installed as managing director at Dunlop-Topy 18 months ago from another part of BTR and after 30 years in the industry.

Recent changes at Dunlop-Topy - including investment to automate parts of the wheelmaking process and changes in top management - also appear to have had a positive impact on other customers, including Toyota and Nissan.

The lesson, according to Mr Phil Newport, engineering manager at Dunlop-Topy, Is that "spending money alone is not what matters, it is what

stop for quality and institute suppliers to qualify for a new French-based subsidiary of Car sector pins sales hopes on tax cuts

By John Griffiths in London

The commandant's house in New UK car registrations in January were just 0.3 per cent above year-ago levels, leaving a "very disappointed" motor industry hoping that tax cuts due in April could coax back buyers.

The 191,761 new cars registered last

cent's bouse at Nato in Brus-sels are all to go. The MoD confirmed on Monday that Haymes Garth is also on the month, well below the level of two market. Estimates suggest it years ago, has set alarm bells ringing may fetcb £450,000, about among the volume manufacturers. They £60,000 more than Sir Sandy | may find it increasingly difficult to Wilson spent on the property. | carry out their pledges to restrict sup-

plies to the short-term rental market - heading the "top 10" list of best sellers. now suspected of undermining the

continuing rise in the market share same month last year.

Ford started the year with its market leadership securely in place, with a share of 21.8 per cent and three of its models, the Fiesta, Mondeo and Escort, to restrict rental supplies.

The UK short-term rental market in talks between the industry and the UK Yesterday's statistics also showed a vehicles a year. However they are bought at deeply discounted prices, and taken by imports. They accounted for are returned to the market as "nearly-60.9 per cent of registrations in Jann-ary, compared with 58.9 per cent in the such volumes that new car sales have

suffered. If demand fails to improve carmakers may have difficulty keeping production lines going unless they review pledges

The disappointing figures may affect government on scrapping the yearly registration plate prefix letter.

Parts of the industry had boped to have a substitute system in place in time to scrap the sales bulge the prefix causes, However, Mr Neil Marshall, policy director of the Retail Motor Industry Federation, suggested yesterday that if demand remains subdued dealers will need the short-term boost to output it

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Falling output leads to rate cut call

British factories cut production in December, raising fresh concern about the economy four years after it climbed out of

The decline in output left the longer term trend for manufacturing growth at its weakest level since 1992. The fall took the City of Lon-

don by surprise and prompted speculation that Mr Kennetb Clarke, the chancellor, may respond to the weakness by cutting interest rates soon. Meanwhile, there were signs that the economic slowdown is starting to affect employment.

Jaguar, the luxury UK car-

maker owned by Ford, said it was laying off workers at its Coventry plant for a week to data left some City economists speculating that Mr Clarke may be tempted to act anyway. shift stocks of unsold cars. Mr Kenneth Clarke is due to

hold his next monthly mone-tary meeting with Mr Eddie George, governor of the Bank of England, today. Most City analysts think the two men are unlikely to reduce rates this month, after two successive cuts in December and January brought base rates down from 6.75 per cent to 6.25 per cent. recently indicated that he

In particular, Mr George would be reluctant to sanction a larger cut without fresh signs that inflation was easing. Nevertheless, the unexpected weakness of the manufacturing

As Mr Michael Saunders, UK economist with the US investment bank Salomon Brothers

said: "The Chancellor has been quite sensitive to weak growth numbers in the past - the weakness of manufacturing will keep up pressure for a further base rate cut." Overall manufacturing out-

put was a seasonally adjusted 0.6 per cent lower in December than in November. On a three monthly basis - a more reliable guide to the trend - output was 0.2 per cent lower in the last quarter of 1995 than the third quarter, but 0.4 per cent higher than the same

The weakness of manufac-turing fuelled fears in the City that factory output could fall further, as companies respond to their excess levels of stocks by reducing orders. Some economists bope any

dip will be temporary. However, other economists fear that the stocks overhang, conpled with the weakness in European markets, could lead to a more prolonged downturn. said yesterday it bad not changed its forecast of 2.5 per

Meanwhile, the Treasury cent manufacturing growth this year. Yesterday's fall in

output was spread across most

of industry, but it was largest

in the food and textiles sectors.

government would support an amendment deleting the liability clause when it is debated on Thursday.

The result of the amendment will be that directors will only be liable if dishonesty is involved - as in the current value added tax provisions. It is understood that the government had been lobbied strongly over the scheme by the waste management business, the accountancy profession, and the

Decision expected on European channel rail link

steadily last year as Eurotunnel increased

By Charles Batchelor. Transport Correspondent

London & Continental Railways, the favoured bidder for the £3bn (\$4.5bn) Englisb Channel tunnel high speed rail link, is negotiating the final details of the package required to clinch the deal, rail industry managers close to the bid said

yesterday.

Eurorail, the rival consortium, has not been ruled out of the bidding, but L&C has been in exclusive negotiations for the past 10 days and is believed to be finalising financial commitments with its bankers and settling legal details.

Sir George Young, the UK transport secretary, is expected to give a date for the announcement of a decision, or at least a closer indication of when it can be expected, when he answers a Commons question from Mr Jacques Arnold, Conservative MP for Graves-

Eurotunnel, operator of the Channel tunnel, expects a 50 per cent increase to 580,000-600,000 in the number of trucks it carries through the tunnel this year over 1995, Mr Christian Zbylut, freight director, sald yesterdsy, Chorles Botchelor If one or more of the three ferry compa-

nies which operate between Dover, Fol-kestone and Calais decides to withdraw or reduce sailings then the increase for Eurotunnel could be even greater, he said. Io 1995 It carried 391,000 trucks. The number of trucks carried rose ham, on the line of the roote,

next Monday. Although both bidders bave been working on their bids for at least two years it is not unknown for deals to fall apart in the final days of negotiations, wheo the bankers and providers of equity and other finance see the final details of a proposal and have to make firm commitments. The UK department of trans-

port is keen to keep open the possibility that Eurorail could

sure on L&C and achieve last minute concessions. Supporters of the L&C bid claimed that the financial arrangement for the bid were all in place, but backers of Eurorail said there were still important commitments "to

of Italy, which supplied the first sbuttle trains and believes it can obtain them for the frequency of its freight shuttles. The company's claimed share of the market for accompanied trucks rose to 48 per cent less than half the price. in January 1996 from 20 per cent a year design and will also be cheaper to main. Eurotunnel currently has the capacity tain. The order is due to be placed within to carry up to 3.900 trucks a day but this the next few weeks.

will be increased by 7 per cent later this year when an additional 16 shottle wsgons are delivered. It will rise again at the end of 1998 when two complete new shuttle trains are supplied.

Eurotunnel expects to place the order

Eurorail's supporters acknowledged that the L&C be called back into the bid bid gave a better deal to negotiations to maintain presthe department of transport in the sbort term but ques-

tioned the robustness of the financial arrangements needed to sustain the seven year project.
The L&C consortium consists of Mr Richard Branson's Virgin Group, the National

Express coach company, UK

sbuttle services carried more than twice as many cars and trucks as in the same month a year ago, while the number of Eurostar high speed trains rose more than civil engineers Ove Arup and Bechtel, the US construction

with a different supplier to the one, Breda

in January Eurotunnel's cross-Channel

two UK construction companies. Trafalgar House and The link will the largest rail engineering project to be car-ried out this century. A decision on the 68-mile line, which will cut 30 minutes off journey

times and link the Channel

group. The leading partners in

the Eurorail consortium are

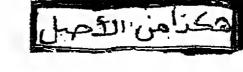
is expected within the next week or so. L&C is understood to have The new trains will be of a simpler gained an edge because of the experience of Virgin and National Express in operating

tunnel entrance with St Pan

cras Station in north London,

ransport business whereas the Eurorail consortium does not have this expertise in-house. The problems experienced in the construction of the Channel tunnel rail link, which in its early years was managed by a consortium of construction groups, are also believed to have prejudiced ministers and the City against projects man-

aged by contractors. But Eurorail's supporters said that transport manage-ment skills could be bought in while baving construction companies in the consortium would reduce the conflicts between client and builder which often arise on such la ge



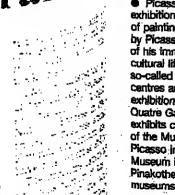
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The state of the s





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Tel: 49-30-203092100/01 conductor Marc Albrecht, violinist Heinz Schunk, cellist Friedemann Ludwig, oboist Aldona Kosel and bassoonist Rainer Luft perform

leagues with a mixture of curiosity and admiration. "No, I aimed to really piss him off" replied the ballsy babe sarcastically. It was the best line in the script, but made possible by what is surely a departure from reality. I do not mean the presence of a female officer in the armed squad (though it is difficult to recall seeing a woman in any of the sieges by armed police covered by television news). This is tele-vision drama, and feminist rules require that reality be misrepresented in such matters for the good of ... well, mankind as we used to say. But anyone who watches lots of British television will have gathered that, in the UK, armed police cannot use their guns at will. Evidence from fact and fiction programmes suggests that before having a pop at the baddies they have to shout "Stop! Armed police!", apparently several times. Had our heroine done that, she would probably have brought the mis-

a the baddie in ITV's Thief Takers pursued one detec-

tive, running along point ing a pistol at his head another took out her gun

and shot the villain dead. "Did you aim to kill?" asked ona of her col-

creant to justice without bloodshed. So why the departure from reality? The answer, surely, is that Thief Takers strives to look like an American series and in America all police officers are armed to the teeth and shoot on sight, with nothing so namby pamby as a warning. Presumably the broadcasters felt that British viewers were so used to watching slam-bang American series that they would be bored with a drama that reflected the way the British police really behave. So they set the series in London, with lots of stunning night-time chopper shots of Westway in place of the Manhattan skyline and then allowed everyone to look and act like Americans. There is even a black brother on the squad who goes around like B.A. Baracus out of The A Team, complete with singlet. metal jewellery, and attitude.

It does not work, of course. Early impressions from the pilot episode that *Thief Takers* might bring back some of the speed and excitement that have been missing from British police series since the disappearance of The Sweeney are proving over optimistic. The trappings are there - good locations, squealing tyres, baseball caps but the concept and the writing are not up to it. The episode described abova opened with a splendid sequence showing a prison wall being breached with a bomb and the baddie walking free - but then it was all downhill. The characters, good and bad, are just not believable. Last week's episode seemed more concerned with the authenticity of its settings than the credibility of its plot or characters.

To watch Thief Takers and switch straight over to Channel 4 and watch NYPD Blue is to realise the absurdity of the traditional British claim about American television drama. The received wisdom is that tha

walked to freedom,

Athol Fngard was

South Africa's

(white) liberal conscience, cer-

tainly to theatre-goers. Fugard's latest play, Valley

Song, is playing to a (white) middle-aged liberal intelligen-

tsia at the Royal Court, direct

from New York, en route to

Fugard is directing himself

in his own play, appearing as

not one, but two characters:

the white Author and, wearing

a woollen hat, the coloured 76-

year-old Buks. Neither charac-

ter can come to terms with the

new South Africa as repre-

santed by Buks' 17-year-old grand-daughter. Veronica

(Esmeralda Bihl). Both men

are obsessed with a handful of

pumpkin seeds, a handful of

Sydney.



Dennis Franz, Kim Devaney and Jimmy Smits in 'NYPD Blue'; makes the British cop series 'Take Thief' look like Enid Blyton Television/Christopher Dunkley

US is top of the serial cops

Americans make expensive, fast moving action series which are, however, shallow, repetitive, and aimed at the undemanding. The British, meanwhile, supposedly turn out material which is cheaper and less dynamic but more profound and aimed at the demanding viewer. Naturally you can find examples to support both stereotypes. In their worst episodes Starsky And Hutch and Charlie's Angels were pretty dreadful, whereas Pride And Prejudice and the first run of Between The Lines were both marvellous. But to pretend that the generalisation holds up is ludicrous.

In the entire canon of British police series there is not a character as complicated and subtle as NYPD's Detective Sipowicz who is an alcoholic (though now on the wagon) with a terribla temper. Last week his wife became pregnant and although she asked him to keep quiet about it, he "confidentially" informed everyone in the building. When she found out and wearily said "Look, don't tell anyona

Theatre/Simon Reade

Fugard's 'Valley Song'

fertile soil of the Karoo to reap

a good harvest (soil which both

men lasciviously liken to a woman, and then sanctify it

with psalms). For Veronica, "a

girl can't make adventure and

romance out of pumpkin

seeds." Veronica is no Cinder-

She stands on her box peer-

ng over the fence at the white

lady's television. Thus she can

imagine when her grandfather was a soldier: Like on TV,

with a gun". She sings (off key)

about a "railway bus" taking her away to Joburg. "When I sing, I'm alive." For Buks, this "brings back memories of a

past I've been trying to forget".

been bleeding his liberal heart:

"Had my few thousand rand really bought me ownership of

Meanwhile, the Author has

ella.

prehensible for those British viewers who do not realise that what Americans call the first floor of a building we call the ground. It involved a psychopath who killed women by standing on a milk crate and leaning through their bedroom windows on the first floor to stab them. The week before, the plot revolved around a former prison officer who, while working under cover for the District Attorney's office, tricked two detectives into dropping their guard so that they were shot. The subtlety and interplay of the vested interests involved made Thief

Somewhat unhappily even The X Files is superior to most contempo-rary British serial drama in many ways. "Even" because this series is really little more than an up-to-date version of sword and sorcery, with agents Mulder and Scully wielding

Takers look like Enid Blyton.

dle, whether ancient or "new age".

he X Files, which looks exactly like a serious detection series, lacking even a hint of the self ridicule in, say, The Avengers, adds considerable reinforcement to the belief, already widespread, that magic, and the supernatural generally, are on a par with science and rational thought. Though Scully is sceptical, Mulder goes with the flow and, as in last week's episode where be drove out the child's devil by joining in the ritual mounted by ancient Romanian "Calusari", his willingness to believe in anything is shown to pay

NYPD Blue was created by Steven Bochco who was also responsible for Hill Street Blues and LA Law, Now he has taken the law-office setting of LA Law and the concentration of interest

else" Sipowicz replied helplessly "I the swords, and unhappily because so don't think I know anyone else". Last week's episode was virtually incomment to believe in superstitious twadall centred upon a single crime. It started transmission on Sky Movies at the beginning of January and a look at the opening episodes suggested that here, once again, the Americans bave a thing or two to teach their British colleagues. More on Murder One in next Saturday's column.

British television drama has plenty to offer in addition to Middlemarch and Jane Austen. Current series which range from the adequate to the quite good include Our Friends In The North and A Mug's Game from the BBC and, from Channel 4, a new scap opera set in the Houses of Parliament and named after one of the most famous spots in there, Annie's Bar. The opening episode was quick, funny, and - if not as wicked as the best of Spitting Image - still quite pleasingly naughty. But if it is fastpaced crime series that you are after, the Americans are still streets ahead.

Concert

Czech debut with the BBC

ntil Nelson Mandela miracles", sowing them in the that land? Buks put his first nlike the indepenseed into that land when he was only a few years old. His dent orchestras, the BBC Symphony is under no great pres-sure to find world-famous life is as deeply rooted in that soil as the walnut tree next to the windmill." That is old names to conduct it: non-fa-South Africa's legacy to the mous but good will do nicely. new, and Fugard's treatment of Its new principal guest conducthe theme becomes increastor, the Czech Jiři Bělohlávek, ingly sentimental: "The truth fills the bill admirably. He has the Author tells Veronica, visited London before, but last week he made a first public appearance in his new role as I'd like to be. It involves letting go . . . I'm jealous of your youth, your dreams." with the Symphony, with an enterprising programme Like Veronica's singing, the devoted to music of his native

production, which promised to land. be an event, provas off key. This solipsistic parable shows scant insight and does not add It made an excellent concert, interesting and thoroughly rewarding. The only tolerably familiar work was Janaček's epic tone-poem Taras Bulba, Valley Song is at the Royal which he saved for a rousing Court Theatre until March 5 finish; before that we heard rare ish Dvořák, The Wood

Dove, and two pieces by Martinu and Petr Eben (b. 1929) which will have been unfamiliar to almost everybody.

Eben's quarter-hour-long Prague Nocturne subtitled "Hommage à W.A.M." (meaning Mozart), proved fascinating. Based on Mozartean figures and cadences, with just a hint or two of literal quotation. it evokes a melancholy, crepuscular Prague in an original tone of voice. Eben is clearly worth exploring. The Wood Dove is late Dvofák, a sinister fairy-tale in which each episode is limned with a sure orchestral hand. Played as subtly and pointedly as it was here (mocking, sentimental trumpet, cascades of sighing strings) it sounded like top-

drawer Dvořák. Martinu's 4th piano concerto

snbtitled "Incantation", is another late piece (1956), from the composer's American period. By then he had cottoned on to the extrovert rhetoric of postwar American music; the combination of that with his characteristic quirkiness is spicy and tantalising. The young Czecb pianist Igor

Ardasêv delivered it dashingly, almost recklessiy.

Toras Bulba made a fine blaze at the end, and Bělohlávek built it up with scrupulous sympathy. This is a distin-guished musician, and if the BBC Symphony goes on playing as well as it did for him here - alert, bright, responsive - we can look for ward to many exciting con-

Opera in Brussels/David Murray

Powerful new perspective on Khovanshchina

n Brussels, the Théatre de la Monnaie has mounted Mussorgsky's Khovanshching to stirring effect. La Monnaie is bilingual Belgium's long-standing "French" house, and De Vlaamse Opera Flanders Opera, playing alternately in Antwerp and Ghent - the competing "Flemish" company; but now that both teams have espoused opera-in-the-original-language, the differences between them are vanishing.

La Mounaie's remarkably impressive original-language Khooanshchina shows why. In the six principal roles there are three distinguished Russians, a Norwegian (Ronnie Jobansen, an uncommonly positive Shaklovity), an npstanding American tenor (Jacque Trussel, despite his name) as the westernising liberal Golitsyn, and Willard White - our own Jamaican bass-baritone – as Prince Khovansky, whom he also sang in the new ENO production just over a year ago. The keen, intelligent producer is another Norwegian, Stein Winge, and the American couductor Paul Daniel is on loan

from our Opera North.
Yet the Belgian component
is weighty, for it comprises
not only some smaller roles and of course the orchestra, but the multiple choruses -superbly rehearsed, at greater length than any British com-pany can afford - who carry so much of Mussorgsky's drama. Daniel and Winge agree about that: the subject of *Khovanshchina* is only secondarily the factional struggles that seethed around the advent of Peter the Great, "modern" westernisers pitted against feudal boyars against Old Believers who recognised only an antique, puritanical orthodoxy. The real heroes of the plece are the Russian people, doggedly unchanging while the politicos rant and murder each other.

That has always been a plausible view of Mussorgsky's operatic score, which he left uncompleted as a rich, disorderly portfolio of sketches, with only two numbers fully orchestrated. Daniel and Winge have tightened it pur-posefully, making cuts which, they claim, match Mussorgsky's own intended excisions: not only the weak scene with the Lutheran pastor, and some marginal kerfuffles, but even the bigoted Old Believer Susanna's denunciation of lovelorn Marfa's sins.

They read that shrill scene as a relnctant, second-

thoughts' concession to the composer's incurably liberal friend and proselytiser César Cui, for whom the Old Believers were no more than deplorable historical relics. Rightly, as I think, they choose to respect Mussorgsky's more even-handed, detached sympathy for everybody. He devotes the whole of the final Act 5, after all, to the Old Believers collective self-immolation in tha face of Peter's implacably "modern" forces.

What moves them may be mysterious, but it is not just crazy fanaticism. It should move us, and it does here. Mussorgsky had written D.M. hardly anything down for their apotheosis before his premature demise; all we know is which old hymns he had chosen for the basis of the scene. and (roughly) how he meant to treat them. Rimsky-Korsakov's well-meant, full-dress version - until recently, the standard one - "corrected" Mussorgsky's Idiosyncratic harmony beyond recognition, and both hts and Shostakovich's more faithful bnt Soviet-optimistic redraftings contrived to snggest some "new dawn" after the blunt tragedy, as did Stravinsky's 1913 draft for Diaghilev's com-

In the Daniel-Winge concep tion, orchestrally realised by J. David Jackson, there is no dawning promise. The Old Believers immolate themselves, which is understandable but bleak; their voices soar fervently while they can, and Rimsky's flame-figures (authentically Mussorgskian, surely) continue to flicker in

The superbly rehearsed Belgian choruses carry so much of the drama

the orchestra: that is all, time less and non-indgmental, Nothing else comes. We are left with the sense of something solemn but open-ended, a clouded, unpromising future against a rich but hopeless When the ENO mounted its

brave Khovanshchino, I remarked that it needed only some real Russians to fill out the characters in pungent breadth. La Monnaie has those (unstinted state support is a blessing!) in Elena Zaremba's rapt, other-worldly Marfa, Vladlmir Bogachov's good-for-nothing Khovanskyfils and above all Anatoly Kotscherga's saintly, impersonal Dosifey, leader of the Old Believers.
His stark bass authority out-

weighs White's silken warmth as Khovansky pere; but just for that reason, White's Khov-ansky acquires twice the depth he had at the ENO - a lesser political figure here, but a prond, brittle, vuluerably appealing Prince. Trussel's Prince Golitsyn is last seen abjectly stripped and lost, borne upon the swirling mob that sees him into exile.

Winge's production takes no sldes. Mussorgsky's music is allowed to assign its own weightings, and the characters expand without help or hindrance from any parti pris. The staging, even barer than the ENO's (timeless Russian mufti for the plebs, Mafia garb for the modernisers), gains sharper force in La Monnaie's close quarters. And Daniel invests the score with intensely detailed feeling as well as imposing scope and breadth; it makes a grand epic, disturbing in exact proportion to its long, dispassionate view.

Supported by Credit Communal/Gemeentekrediet: further performances at Brussels February 8, 11, 13, 15 & 17.



■ BARCELONA

EXHIBITION Museu Picasso Tel: 34-3-3196310 Picasso and Els Quatre Gats: this exhibition brings together a selection of paintings and drawings created by Picasso between 1898, the time of his immersion into Catalan cultural life, and 1904, the end of his so-called Blue Period. The display centres around Picasso's first exhibition, in the beer callar Els Quatre Gats in February 1900. The exhibits come from the collections of the Museu Picasso, the Musée Picasso in Paris, the Metropolitan Museum in New York, the Neue Pinakothek in Munich and other

CONCERT Konzerthaus Berliner Sinfonie-Orchester with

works by Delius, Haydn and Mendelssohn; 8pm; Feb 10, 11 OPERA

Komische Oper Tel: 49-30-202600 Die Entführung aus dem Serail: by Mozart. Conducted by Yakov Kreizberg and performed by the Komische Oper; 7.30pm; Feb 10

BONN DANCE

Oper der Stadt Bonn Tel: 49-228-7281 Ein Sommernachtstraum: a choreography by Yuri Vamos to music by Mendelssohn, performed by the Ballett Bonn; 7pm; Feb 10

■ BUDAPEST EXHIBITION

Hungarian National Gallery Tel: 36-1-17575333 The School of the Hague: exhibition of works by the painters of the Hague School, a group of Realist artists who worked in Holland between 1860 and 1900 reviving many of the traditions of 17th-century Dutch landscape and architectural painters. The display includes paintings by Joseph Israels, Mesdag and others, as well as some early drawings by Van Gogh. The exhibits come from the collection of the Haags Gemeentemuseum in The Hague; to Feb 11

COPENHAGEN

EXHIBITION Statens Museum for Kunst - Royal Museum of Fine Arts Tel: 45-33 91 21 26 Christen Koebke; retrospective

exhibition devoted to the work of this Danish artist (1810-1848), one of the most important painters of the Danish Golden Aga. Koebke painted

portraits, landscapes and architectural paintings. The display includes paintings, drawings and prints from European and American collections; from Feb 10 to May 5

■ FRANKFURT EXHIBITION

"I'm not as brave about change

np to a play.

(0171-730-1745).

Schim Kunsthalle Tel: 49-69-2998820 inoua Yu-ichi: part of a tripartite exhibition of the work of this Japanese artist (1916-1985). The paintings and drawings on display show the bombardments of Hiroshima. Work by this artist ia also exhibited in the Museum für Kunsthandwerk and the Karmeliterkloster in Frankfurt; to Feb

■ HELSINKI

OPERA Opera House Tel: 358-0-403021 The Last Temptations: by Kokkonen, Conducted by Kari Tikka and performed by the Helsinki Opera. Soloists include Martti Wallen, Satu Vihavainen, Pertti Mäkelä and Hellevi Seiro; 7pm; Feb

■ LONDON

AUCTION Phillips Tel: 44-171-6296602 Scripophily & Paper Money: highlights include an American Express Co. share and a 1921 collection of Portuguese

notgeld; 0.30pm & 2pm; Feb 8 CONCERT

Barbican Hall Tel: 44-171-6388891 Nikolai Demidenko: the planist performs works by Chopin and R. Schumann: 4pm; Feb 11 Migmore Hall Tel: 44-171-9352141 International Songmakers at Wigmore Hall: soprano Christine Schäfer, mezzo-soprano Stella Doufexis and baritone Christopher Maltman, accompanied by pianist Graham Johnson, perform songs by Berg, Mahler, Britten, Wolf and others; 7.30pm; Feb 9 OPERA

Royal Opera House - Covent Garden Tal: 44-171-2129234 Samson et Dailla: by Saint-Saens. Conducted by Jacques Delacôte and performed by The Royal Opera. Soloists include Dolora Zajick, José Cura, Robin Leggate and Roderick Earle; 7pm; Feb 10

LYON

DANCE Opéra de Lyon Tal: 33-72 00 45 45 Lyon Opéra Ballet: perform Jiri Kylians Stamping Ground to music by Carlos Chavez, William Forsythe's Second Detail to music by Thom Willems and Martino Müller's Le Jour Même to music by Steve Reich, Henrik Rickela and Gavin Bryards: 8.30pm; Feb 9, 10

MUNICH

EXHIBITION Villa Stuck Tal: 49-89-4555510 Marina Abramovic: exhibition of Installations by Martina Abramovic, organised in co-operation with the Museum of Modern Art in Oxford;

from Feb 8 to Apr 8

■ NEW YORK

OPERA **Brooklyn Academy of Music** Tel: 1-718-636-4111 Orlando: by Handel, Conducted by William Christie and performed by Les Arts Florissants; 8pm; Feb 9 (7pm), 10, 12, 13

PARIS CONCERT

Salle Pleyel Tel: 33-1 45 61 53 00 Orchestre Philharmonique de Radio France: with conductor Alain Lombard perform Brahms' Symphony No.1 and Prokofiev's Symphony No.5; 9pm; Feb 10 Théâtre de l Opéra Comique Tel: 33-1 42 44 45 46

 The Turn of the Screw: by Britten. Conducted by Dominique Debart and performed by the Opera Comique and the Ensemble orchestre régional de Basse-Normandie, Soloists include Emmanuel Lanièce (Feb 9, 11), Sébastien Brohier (Fab 13), Juliette Vergnaud (Feb 9), Kehna Benhaiem (Fab 11) and Lucie Davienne (Feb 13); 7.30pm; Feb 9, 11 (4pm), 13 THEATRE

Comédie Française, Salla Richelieu Tel: 33-1 40 15 00 15 Phèdre: by Racine. Directed by Anne Delbée. The cast includes Catherine Samie, François Beautieu and Martina Chevallier; 8,30pm; Feb 8

STOCKHOLM

Kungliga Teatern - Royai Swedish

Opera House Tal: 46-8-7914300 La Traviata: by Verdi. Conducted by Kjell ingebretsen and performed by Royal Opera Stockholm. Soloists include Lena Nordin, Jonas Degerfeldt and Tord Wallström; 7.30pm; Feb 8, 12

■ STUTTGART OPERA

Staatstheater Stuttgart Tel: 49-711-20320 Salome: by R. Strauss. Conducted by Gabriele Ferro and performed by the Oper Stuttgart; 7.30pm; Feb 8, 13 (8pm)

■ WASHINGTON EXHIBITION

National Gallery of Art Tel: 1-202-7374215 Johannes Vermeer: the first exhibition ever devoted solely to the art of the Dutch painter Johannes Varmeer (1632-1675) presents 21 of the existing 35 works known to have been painted by this master who lived and worked in Delft; to Feb 11 OPERA Eisenhower Theater

Tel: 1-202-467 4600 Verlobung im Traum: by Krása. Conducted by Israel Yinon and performed by the Washington Opera and the Nationaltheater Mannheim. Soloists includa Brigitte Hahn, Mildred Tyree, Peter Parsch, Joseph Wolverton, Josepha Gayer, John Shirley-Quirk and Julia Anna Wolf:

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17.30 Financial Times Business Tonight

Midnight Financial Times Business Tonight

COMMENT & ANALYSIS

drive events the way he wants

them to go. This is not an

intellectual argument to be

settled in some academic aem-

inar, let alone in a shouting

match in a school playground.

element of rational argument

bnt it will be useful only if it

is conducted with a minimum

Last week in an article in the FT, Mr Douglas Hurd, the

former foreign secretary,

called for a delay in monetary union. He claimed: "It was not

seriously argued on economic

grounds at the time of the

Maastricht conference that a

single market required a sin-

bly false. The preparation for Maastricht was lengthy and thorough - and included the

1987 Padoa-Schioppa report on

economic integration and the

1989 report of the Delors Com-

mittee on monetary union

The treaty was explicitly

based on the proposition that

required for the four freedoms

of movement - of goods, peo-

But it does not sariously

matter what was argued at

the time of Maastricht. The

relevant fact is that many EU

governments are now con

vinced of the link between the

single market and the single

currency, including most of

those which are likely to join

a single currency. So if the UK

decides to stay out of mone-tary union, it may find it risks

jeopardising its access to the

As for my two questions:

my guess is not only that Mr

Kohl means what he says but

is fairly well placed to drive events his way. Why? One simple reason: he has allies.

Britain bas none, and is

reduced to catcalls and deri-

single market.

ple, services and capital.

single currency was

This assertion is demonstra-

gle currency."

of intellectual honesty.

Of course, there can be an



Ian Davidson

Beyond the catcalls

British reactions to the speech by Helmut Kohl on European integration are so irrational they smack almost of hysteria

There was a time when the British used to pride themselves on their national talent for calm and commonsense Foreigners might froth and foam, but the British would keep cool. Where Europe and European integration are concerned, however, the political class seems to have lost not just its traditional sangfroid but also any sense of rational tactics or strategy. It is as if the British people were in the

collective madness. Last week Helmut Kohl, the German chancellor, told an audience in Louvain, Belgium: The question of war and peace in the 21st century really hinges on the progress of European integration.

grip of some self-destructive

You might think that such a proposition represents a tenahle point of view, even bordering on the conventional Coming from someone who is old enough to remember the second world war and bas some historical sense of previous wars, you might think the comment was entirely understandable, especially when made by a German. And if you have heard that the explicit and over-riding purpose of the French, Germans, Belgians and others who founded the European Community was to make another European war impossible, then you might even recognise it as part of the Community's ancient orthodoxy: well-worn perhaps, outdated conceivably, but nothing worse than a plati-

In Britain, however, it has elicited a storm of denunciation and derision, often on contradictory grounds and from opposite ends of the political spectrum.

On one side there are those saying: "What nonsense! He's just trying to frighten us into submitting to his prescription for a federal mega-state in Europe, But of course there isn't going to be any war. So we don't have to be frightened of this bogey. We can safely

Re Ground is

Dur strates are

traded daily on

and Hannover

the Frankfürt

Exchanges:

Germans haven't changad: they're at it again. He's threat-ening us with war, so we must stay well clear of all of them!"

British reactions to the Kohl speech are so irrational they almost smack of hysteria. They certainly cannot help in reaching an understanding of what he is talking about, let alone in working out the best

In the first place, it seems to ma that anyona who claims to be certain there won't be another major war in Europe is either ignorant or infantile. After all, we are now witnessing the winding-down of a murderous four-year war in the former Yugoslavia. But nobody predicted it, just as nobody predicted the outbreak of the general "peace" in Europe, which was its immediate cause.

Can anyone find a rational paradigm to justify or explain the onthreak of the first world war? Can we really exclude the possibility that new wars may yet break ont as an indirect legacy of the first and second world wars? Hungary lost two thirds of its territory to its neighbours after the first world war, and that could one day be a cause of another military conflict as the substantia) Hungarian minorities in neighbouring countries, such as Slovakia, pursue self-determination, Germany and the Czech Republic have still not resolved their quarrel over the

after the second world war. And no-one can be sure that Russia's conflicts in the Cancasus region may not spread

eastern Europe.

It is, of course, entirely possible to disagree with this point of view. Some people may believe that the EU would be a more relaxed, a more peaceful and, therefore, a more stable enterprise if it were a looser organisation with fewer common policies, less majority voting and no monetary union

But Britain is not called on to decide whether Mr Kohl is on intellectually firm ground,



Germans from Sudetenland well founded. The essential question for Britain is, first, whether he means what he says about the kind of Europe ha wants and, second, whether he is in a position to

But I am not suggesting that war will antomatically, or even probably, break out if the European Union does not move towards the kind of federation Germany wants, and nor, it seems to me, is Mr

What he probably does mean is that the European Union, with its common institutions, rule of law and democratic principles, is a factor of stability in Europe; that if integration were to come to a halt, or even be reversed, Europe would become more unstable, possibly even dangerous; and that more integration is vital if tha union is to be strong enough at the centre to handle the massive frictions and conflicts of interest When it is enlarged to take in another 10 to 12 countries of



Others say: "You see! The Helmat Kohl; well placed to drive events his way

LETTERS TO THE EDITOR.

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No subsidy for Forbes

From Mr Philip McBride

Sir, That the Financial Times would support taxpayer subsidy of political job hunting, as in your editorial "Forbes' funds" (February 5), is surprising. Here in the US, many of us think that the resulting free hand-out to candidates only heightens their disdain (or ignorance) about other people's money. If they want the job bad enough, they should do what is expected of the rest of us - earn it or borrow it, but surely not burden taxpayers for the sake of their own ambitions.

This view is neutral and non-partisan. History tells us that there are rich folks in both leading parties. Is it better for Steve Forbes to put his own wealth at risk or our modest earnings? It is those who say the latter from whom we have the most to fear.

Philip McBride Johnson, Great Falls. Virginia 22066. US

Cash injection requires return

From Mr Robert Ayling. Sir, Mr Stephen Kinsella (Letters, February 5) is right to point out that the Spanish government was entitled to look at the question of a further injection of cash into Iberia in the same way as a holding company would look at investment in a subsidiary in financial difficulties. A private investor, however, would only inject cash if he could see an

adequate return on his

investment within a reasonabla time. The same test must apply to governments But governments have political objectives and sensitivities which often override commercial considerations. Nell Kinnock, the European

Union transport commis eserves credit for trying to introduce transparency and discipline into what has in the past been a scandalously

Commission's activities. Wa shall be able to make a better judgment when we bave seen the Commission's full decision which will include, we hope, Deloittes' report on Iberia's state of affairs and prospects.

Robert Ayling, chief executive, British Airways, Heathrow Airport (London), Hounslow TW6 2JA. IIK

Move will not raise French radio quality

From Mr Simon Larter. Sir, The great problem with tha Pelchat amendment. discussed by Andrew Jack in his article "Vive la musique Française!" (February 5), is that it refuses to accept that a good deal of French popular music is, by comparison with Anglo-American pop, very

It may be that the 40 per cent rule does encourage greater investment in French music "if only the motives were so pure". But it would seem

unlikely that this imposition on broadcasters in France would increase the quality. The demand for volume in the global TV market has proved that supply and demand in this context has only served to degrade quality. It would be a shame if tha amendment pushes the French market into accepting even lower standards. It may also limit their potential to export.

On the other hand, the opportunities are far reaching. As record producers find that

their markets are more difficult to exploit in countries where Angio-American produced music is their core product, then they could easily set up in France to produce quality songs for a market which suddenly has a great

This may improve the overall quality of the French music industry.

Simon Larter, 86 Dresden Road, London N19

Joy of operating German-based stakeholder culture in UK

From Mr Robert Bischof. Sir, Samuel Brittan's article "The snares of stakeholding" (February 1) shows that it ems impossible for Anglo-Saxon economists to comprehend that there can be an alternative model to the one that states that shareholder value comes first, second, third, fourth - and that it

delivers better results as well. After the second world war a number of professors were charged to create a model for a democratic Germany, Among them were Mueller-Armack, Roepke, Hayek and Erhard. They created a system which was huilt on the principle that neither of the two old antagonists, Labour and Capital, should be allowed to dominate the other. It was a clear NO to communism and it

was a clear no to laisser faire

capitalism, which had allowed Hitler to exploit its weaknesses - booms and busts and mass unemployment.

They designed a new system. in which the two sides are in partnership in the wealth creation process. The street name of this system is social market economy - some now call it Rheinland capitalism. It has been in all departments for five decades a superior system to the Anglo-Saxon model. It has given their people a much higher standard of living and it has therefore been the model for many countries, lately also for the new east European democracies.

In corporate governance terms, it means that the management board runs the business on a day-to-day basis. In all significant decisions, however, it has to consult the

supervisory board, where half the members are representatives from blue-collar and white-collar employees and middle management and the other half consists of shareholder representatives with the chairman having the casting vote. The supervisory board also controls the performance of the management board at close quarters. Decisions are in

The problem with Germany's system is not its basic principle, but that it has been perverted by a mass of legal and institutional red tape. It is also true that it has led some German management boards to be too preoccupied with seeking consensus and with pursuing long-term strategies,

more than 99 per cent of cases

needed. Shareholders have been neglected in favour of customers, market share and employees from time to time. Germany is addressing these problems and will introduce no doubt a bit of tough Anglo-Saxon profit thinking in

future. in Boss, like in most continental and Japanese owned companies, we have of course the best of both worlds: Wa practice our stakeholder culture and are not restricted by the paraphernalia of an institutionalised framework. Hence it's such a joy to run companies in Britain.

Robert Bischof, chairman. Boss Croup Grovebury Road. Leighton Buzzard, Bedfordshire, LU7 8SR, UK

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HANNOVER RÜCKVERSICHERUNGS-AKTIENGESELLSCHAFT

At loggerheads on the law

unanimous.

waged an increasingly fierce fight against corporate corrup-tion in the last few years, against dozens of well-known executives and politicians, and

hundreds of minor ones. Now those under attack are beginning to fight back, demanding reforms to the laws being used against them and creating deep divisions hetween magistrates, politicians and business peopla.

For some, the existing legis lative weapons wielded by judges ere too harsh on those accused of corruption. But others argua that a softening of the law would let companies get away far too easily with murky and illegal practices. The legal offence at the heart

of the debate is abus de biens sociaux, which translates as "misuse of corporate property and carries a maximum penalty of 5 years' imprisonment and a FFr2.5m (\$500,000) fine. It has become one of the most frequent charges made

against the heads of companies suspected of corruption, and is often used as the basis of a formal investigation by a magistrate. But critics argue it is now

being interpreted far too broadly. "It is a judicial aberration which cannot be justified on the grounds of equity," says Mr Kiril Bougartchev, an advocate with Gide Loyrette Nouel, the French law firm, in Paris. The debate was fuelled late

last year when Mr Pierre Mazeaud, the Gaullist politician who heads the National Assembly's law commission, published his plans to soften the impact of anti-corruption legislation. "The real problem in our country is unemploy-ment," he said this week. "If the sword of Damocles [of the law] is hovering over a chair-man, he will move elsewhere and we will have more unem-

Among those currently ensnared by charges of abus de biens sociaux are Mr Pierre Suard, former head of Alcatel Alsthom - who did threaten to move his group outside France following the accusations made against him - and Mr André Kamel, the head of Dumez-Kamel International and an adviser to Mr Jérôme Monod, chairman of Lyonnaise des Eaux, the ntilitles and construction group. Another is Mr Bernard Tapie, the businessman and former Socialist min-

A number of leading politicians are also under investiga-

Andrew Jack on the row in France over attempts to soften anti-corruption legislation



Investigated; (clockwise from top left) Gérard Longuet, Michel Noir, Bernard Tapie and Pierre Suard

offence of "receipt of misused corporate proparty". They include Mr Gérard Longuet. the former defence minister who was forced to resign in 1994. Mr Michel Noir, a former mayor of Lyons, was recently found guilty.

Mr Mazeaud wants to intro-duce a time limit so the offence can only he pursued by the judiciary for up to six years after it has been committed. At present, it can be pursued indefinitely - long after relevant evidence may have disappeared - while other corruption offences have a limit of three years. Apart from abus de biens socioux, only crimes against humanity have no

expiry date in France.

Business argues that Mr
Mazeaud does not go far enough. Executives often com-plain in private of the injustices they face, but they are reluctant to speak publicly or criticise tha judiciary, since they are often either already under investigation or vulnera hle to probes in the future.

However, the Patronat, the employers' federation, came out in November 1994 with a

nition of the offence and a time limit. Similar arguments were made in a report made public last month by the Paris Chamber of Commerce and Industry. Even Mr Xavier de Roux, the rupporteur or secretary for the parliamentary law commission and a partner with the law firm Gide, opposes Mr Mazeaud's draft, arguing the real problem is poor interpretation of the existing legislation. He called this week for a circular from the Justice Ministry clarifying the position.

As he sees it, successive rul-ings made by judges over the years have drifted away from the strict legal definition of abus de biens sociaux, broadening its scope to incorporate acts which bear little relation to the original intention of the law - which was to prevent wilful removal of funds from a company against its interests.

His collaague, Mr Bou-gartchev, argues that the recent application of the law bas embraced actions which may have been unintentionally carried out by a company without an executive's knowledge or wishes, and others which may be illegal but which

clearly benefit a company,

"I am not saying these acts are rate type of offence," he says. "Abus de biens sociaux" s becoming a catch-all infrac-tion. Little hy little its defini-

tion is going astray." Such arguments find little sympathy among the most vocal opponents of change to the existing law, the magistrates. "The proposition would risk considerably hindering judges," says Mr Jean-Claude Bouvier, secretary-general of the Magistrates Union, reflecting views hald by most professional bodies.

He says that imposing an expiry date would be dangerous because the corruption issues under investigation are complex and often take time to emerge - perhaps being discovered only after a tax inspection, an end-of-year audit or bankruptcy. He stresses that in practice, few investigations begin more than six years after the suspected offence took

More importantly, he argues that the existing law is an essential starting point for the current national anti-corruption drive. "Most of the big political-financial scandals in France started with the discovery of obus de biens sociaux, he savs.

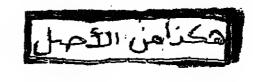
France is a country with extraordinary ambiguities and opacity," he says. "Adequate control mechanisms hardly exist in France. Shareholders have little power and auditors are paid by the company so they are not totally independent. We need this law until there are strong institutional mechanisms in the struggle

against corruption." The storm created by Mr Mazeaud appears to have led the government to distance itself from his proposals, and bence from any suggestion that it is willing to be soft on

corporate abuse.

The Justice Ministry now says that it has no plans to incorporate the ideas into its own hroader legislative programme, and that there is no space for the reform on the parliamentary calendar.

It is too early to assess how unjust the charges of abus de biens socioux are really proving to be in France, since most of the current investigations have yet to reach the courts. In the meantime, the effect in boardrooms has been to focus executives very carefully on the possible legal implications



FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday February 7 1996

Demerging British Gas

Ten years after privatisation, ing a settlement of British Gas' British Gas has finally dispensed with the legacy of Sir Denis Rooke, the autocratic former chairman who fought so hard to prevent the government selling tha business off in parts. Its announcement that it plans to split into two separately listed companies is long overdue, though the move will not of itself solve the serious problems facing the

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Three years ago the Monopolies and Mergers Commission convincingly argued that the government should break British Gas in two. It said the company suffered from an inherent conflict of interest, harm-ful to competition, in being both a seller of gas and owner of the transport system which its competitors had to use. Ministers, fearing this might delay their plans for greater competition, and still seeing the company as a national champion, merely insisted that the two husinesses operate as legally separate entities under the group umbrella. Now British Gas, despite its

long tradition of resistance to change, has suddenly chosen to demerge. Mr Richard Giordano, the chairman, explains this will make management focus on competition, will ease the regulatory burden and will help tha group recover the public goodwill it has lost through controversy over its executive pay and service quality, However, the award of a £120,000 consultancy contract to Mr Cedric Brown, the retiring chief executive who was at the heart of the pay controversy, sug-

gests a continuing lack of political sensitivity over compensation.

The structure of the demerger indicates that Mr Giordano also aims to use it as a lever in reachdispute with North Sea producers over "take-or-pay contracts", which require it to buy gas at prices far above the prevailing market levels.

Unless that problem is solved, British Gas Energy, the new trad-ing company, will be a vehicle of very limited investor appeal. It will inherit the "take-or-pay" con tracts - with their potentially huge liabilities - and a domestic market about to face the full blast of competition. More positively, it will also include the huge More cambe gas fields, and a production capability which may give it lever age in its "take-or pay" negotia

Its management will have powerful incentive to reach agree ment with the producers, who in turn may be more willing to compromise once British Gas' attrac tive transportation, exploration and production businesses are in a separate company.

A wider question is whether the demerger goes far enough. A good case can be made for separating the domestic transportation utility from the more international explo ration and production side, though the latter would look a much weaker vehicle with the Morecambe fields stripped out.

British Gas may be hoping that ministers will be persuaded by the trading company's highly uncertain financial position, and 19m customers, to relent on their refusal to grant it compensation over the "take-or-pay" contracts. But the government should refuse to get involved. The contracts are commercial undertakings which British Gas was happy to take on in monopolistic days and it should pay the price for these misjudg-ments.

Aznar's plans

Question: how do you win next reductions in public borrowing month's Spanish election on a without reforming the country's plstform of austerity and selfdiscipline? Answer: you keep the details to yourself. This appears to be the thinking behind the election programme unveiled yesterday by José Maria Aznar, leader of the Popular party and odds-on favourite to be Spain's next prime

minister. Mr Aznar's lead in the opinion polls suggests that the voters are ready for a change. But, with just four weeks to go until polling day, he is not taking any chances. His wide-ranging election programme promises change without far-reaching reform, and austerity without, it seems, any pain. This may help him shore up support from those who feared a Thatcherite break with 15 years' social democracy, but it provides little clue to what he might do in

The plans for the budget are a case in point. Mr Aznar's determination to see Spain qualify for any "first wave" of entrants to European monetary union has been the touchstone of his campaign to date. But his plans for getting the public finances back on course are verging on the disingenuous.

As the Organisation for Economic Co-operation and Develop-ment pointed out in its recent survey on Spain, no government will ba able to achieve long-term

bloated and inefficient social security system. Yet Mr Aznar is now promising to leave the mass of pensions, public health services and unemployment benefits untouched. Instead, the deficit will be reduced with a more palatable but less credible - programme of cuts in administrative spending, and speedier sales of state assets. Administrative costs make up a

tiny share of overall spending: even dracomian cuts in "fraud and abuse" would make little dent on the deficit. Mr Aznar's privatisation proposals are trickier to assess, since he has yet to reveal which companies he would like to sell off. Nor, perhaps more important, has he indicated a possible

The Popular party has clearly learned a lesson or two from President Jacques Chirac'e travails since taking office in France. If it wins power, the vagueness of this programme may protect it from cries of treason when it comes to tackle the country's fiscal problems against a background of 23 per cent unemployment. On balance, the business community still believes that Mr Aznar will do a better job of facing up to the country's economic challenges than the incumbent. But as even his strongest supporters must admit, he has a funny way of showing it.

Irish beef

In two weeks' time, tha European Commission has to decide on how much it is going to fine the Irish government for its failure to conmarket back in 1991. Commission officials have recommended penalties totalling more than 1£100m for a series of offences including irregularities in tendering for intervention beef contracts, and falling to ensure that the full value of intervention beef, subsidised by Brussels, was taken into

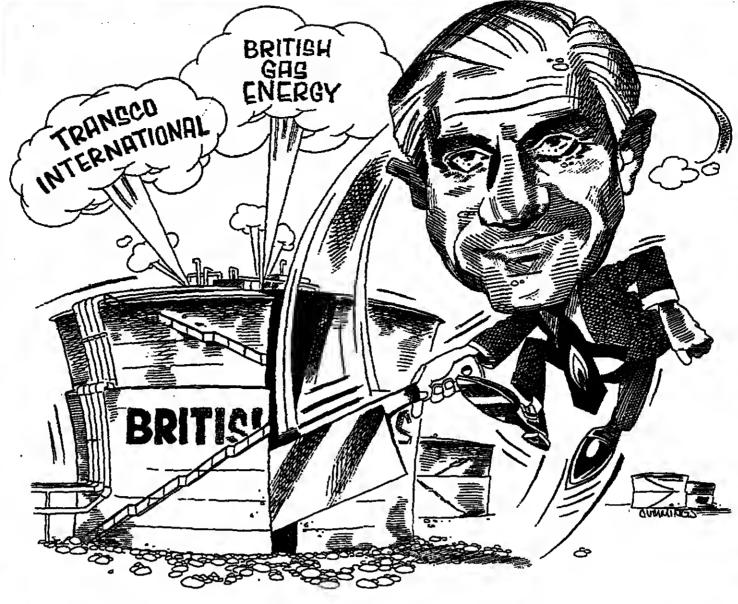
storage. Understandably, the Irish government is protesting at the scale of the fines. Mr Ivan Yates, the agriculture minister, says that they are "totally disproportionate and punitive." He complains that the Commission officials are motivated by a desire to make an example of the Irish industry, in their determination to stamp out farm fraud.

Ireland is not the first EU member state to be hit by a heavy fine for its failure to police the horribly complex regulations of the Common Agricultural Policy. Italy was fined Eculbn in 1998 for ignoring the milk quota regime for no less than 10 years. Britain, ktaly, and France are all facing smaller fines for irregularities in the 1992 financial year. But Ireland's fine would certainly be one of the heaviest per capita penalties yet imposed for the Irish taxpayer.

by the European Commission The scale of the fine is supposed to relate to the financial risk to the EU from the fraud or irregularities in question. That means both how seriously it disrupted the market, and how badly the government of the member state slipped up in failing to police the rules. The suggestion put forward by the Commission's own officials is that the Irish offences belong in the most serious category, inviting a repayment of a full 10 per cent of the beef subsidy payments made during the period in question. An independent "conciliation committee" has concluded that the fine should be reduced to just

5 per cent. If the rules of the CAP were not so appailingly complex, farm fraud would not be so prevalent. That can never be emphasised enough. But as long as the structure exists, it must be ruthlessly policed. The European Commission urgently needs to prove that it is serious in clamping down on farm fraud. So it must be tough. But it must also be fair. If the Irish fraud did not cause serious disruption to the market, then the key question is rather the extent of the Irish government's failure to police its own market. If that is shown to have been gross, then the toughest penalty should be imposed. It will be a sore lesson

COMMENT & ANALYSIS



A problem halved

Demerger could help British Gas deal with its commercial conflicts, say **David Lascelles** and **Robert Corzine**

he demerger of British Gas will be the largest corporate restructuring ever undertaken in the UK. It will also be the longest awaited, and potentially most far-reaching, affecting virtually every bousehold in the country and nearly 2m shareholders.
Yesterday's announcement marks
the culmination of 10 years of

heated debate over the company's dominance of the UK gas market. British Gas has wielded power on a scale that no private-sector com-Yet despite two monopoly inqui-

ries and an investigation by the Office of Fair Trading, the company is only now yielding to pressure to break itself up. Why has it taken so long – and what will be the conse-

Much of the blame belongs to the Thatcher government which decided to privatise British Gas in one piece in 1986 to preserve a strong, unified company. Although subsequent monopoly investigations chipped away at its stranglehold on the industrial and domestic gas markets, none managed to prise

This was partly because British Gas agreed, at each critical stage, to give up just enough market share to pacify its critics. But the main reason was that the government continued to see it as a "national champion" - in the words of Michael Heseltine when he was trade and industry secretary in 1994. The company encouraged this notion by pro-claiming itself a "world energy company" in its advertisements.

the 1993 monopoly inquiry, the gov-ernment decided to throw open the UK gas market to competition by 1998. This required British Gas to gear up to meet new competitors on its doorstep - and to reorganise itself to remove conflicts between its gas trading arm and its pipeline business which would transport

competitors' gas as well as its own.
This process plunged the company into turmoil. Huge job losses were announced to cut costs, leading to a slump in staff morale.

And the separation of transport and trading threw into sharper relief the conflicts between the two businesses. These were not just on the competitive front. The trading business, which buys and sells gas. is an entrepreneurial activity requiring sharpness of eye and fleetness of foot: profits come from shrewd dealing. The pipeline business is highly regulated, long-term, and earns steady profits from tolls. The changing of the guard at British Gas, which began with the

appointment of Mr Cedric Brown as chief executive in 1992 and Mr Dick Giordano as chairman in 1994, brought fresh eyes to the problem. The realisation began to dawn that break-up might, after all, be the best way to resolve internal strains. But it still took several years for the idea to come to fruition - not helped by the furore over Mr Brown's salary and the squeeze caused by slumping gas prices. The transformation also required the company to shake off grandiose

carrier and come down to earth. The demerger doesn't alter the But the reality was moving in a enormous scale of the challenge fac-different direction. As a result of ing British Gas. But it does simplify

visions of a multinational flag-

the task," says Mr Giordano, The new structure should permit two very different companies to evolve. If all goes to plan - and more costs have to be shaken out the trading arm, British Gas Energy, will become more entrepreneurial. The pipeline business, TransCo International, more able to concentrate on its long-term goals.

One of the hopes is that this

change will better equip the trading arm to resolve British Gas's biggest headache: the take-or-pay contracts with North Sea gas producers at high fixed prices which have landed it with heavy losses. According to Mr Giordano, management will have a stronger incentive to negotiate new terms since their losses will no longer be cushioned by profits from other activities. Until the contracts are renegotiated, it will be impossible to place an accurate value on British Gas Energy, but Mr Giordano did not think this

should delay the demerger.

Even so, the split is untidy and not altogether logical. TransCo International has been given the UK pipeline network and also the company's international business with which it arguably has little in common. The large British Gas exploration and production business has been split between the two new companies, with British Gas Energy getting the lucrative More-cambe Bay gasfields to give some muscle to its trading activities. It had been expected that exploration and production would be separated into a third arm, but Mr Giordano said yesterday that this had been rejected as unworkable.

Looking ahead, the major question is how the demerger will affect

the introduction of competition to the domestic gas market, due in

From the consumer's point of view, it should be good news. The demerger will increase confidence in the independence of the TransCo pipeline monopoly and encourage more competitors to come into the market. And if British Gas Energy becomes more competitive, this will pnt extra downward pressure on

However, these reasons make it potentially bad news for sharehold-ers and other competitors. By stimulating greater competition, the profit prospects for all gas suppliers will be reduced. Significantly, Mr Giordano was reluctant to make any dividend commitments on behalf of British Gas Energy yesterday - in contrast to TransCo which he said would become the principal source of pay-outs to British Gas shareholders. Sid, the archetypal popular shareholder invented for BG's privatisation, may not find BGE to his taste.

The government welcomed vesterday's developments - which is fronical given that it had encourage British Gas to remain big. It had also rejected the 1992 recommendation from the Monopolies and Mergers Commission for an enforced break-up on the grounds that it could not be done in the five years proposed (it will now happen voluntarily in 14 months). British Gas must be hoping that

the demerger and Mr Brown's retirement will finally quieten the furore that has dogged it for years and make it a more efficient company as well. That will be the challenge for its new entrepreneurs.

Stage set for fresh players

ike the cast of a play reaching its denouement, all the characters in the longrunning British Gas drama were present for yesterday's

Centre stage was the tall, com-manding figure of Mr Dick Gior-dano, the chairman who arrived two years ago to sort out the troubled company. A tough American, his voice hoarse from all the talking, he needed to convey the impression that everything was under control, that the demerger

was in everyone's best interests.

But it will be an upbill battle his own judgment has been called into question because of the recent shambles at British Gas, and the furore over executive salary increases which were his idea. Mr Giordano is already heading for the wings. He said yesterday that he wants his remaining tenure to be "as brief as possible", and not beyond 1997 when the demerger is scheduled to go through.

Also heading for the wings was the red-headed figure of Mr Cedric Brown, who announced his retirement yesterday. The British Gas chief executive, a more engaging person than generally portrayed, recently said be was afraid to play the National Lottery. "Knowing my luck, I'd win £40m," he said. ft had "not been a pleasant 15 months", he admitted yesterday, but he was consoled by memories of a "fascinating 40-year career with the best gas company in the world".

For the past four years Mr Brown has been battling to transform British Gas - but with only partial success. Officially, he is going because his job will be eliminated by the demerger. But be is widely viewed in the industry as the fall guy for - as well as the beneficiary of - Mr Glordano's decision to raise his basic pay by 75 per cent.

With Mr Giordano and Mr Brown gone, the stage will be clear for the new characters

One will be Mr Philip Rogerson, the tall, schoolmasterly chairman of TransCo, the arm of British Gas with the pipeline husiness. Mr Rogerson arrived four years ago from Imperial Chemical Industries as finance director, the first outsider to be an executive director.

He made his mark when he was subsequently given responsibility for the company's international business, where be unravelled some bad overseas investments. Mr Rogerson does not come across as a tough minded businessman, but be was one of only two people who joined Mr Giordano and Mr Brown on the stage yesterday.

The other was Mr Roy Gardner, a former General Electric Compa executive who has made no secret of his ambition. Mr Gardner was recruited as finance director in succession to Mr Rogerson and is now in charge of the businesses that will eventually make up British Gas Energy.

One other character was just off stage yesterday: Mr Harry Moulson, the chief executive of TransCo. who will be the only career British Gas executive left on the board when Mr Brown goes. A rock music and rugby league fan, he has tried to instill a more competitive culture at the pipeline monopoly, improving relationships with some of the gas shippers which are his

Although these characters completed the cast for yesterday's per-formance, their roles have yet to be confirmed. Mr Giordano hinted yesterday that when the official appointments are finally made, there could vet be a chance for an outsider to join the principals.

Tax and spend...

■ No wonder Germany is having a spot of bother with its public finances. Despite repeated admonitions from the federal government, people seem to think the Wirtschaftswander is still in

full swing.
In the state of Hesse, the Social.
Democrati Green government has shelled our District to build a prison designed to house 540 inmates. Admittedly, costs spiralled after a terrorist attack in 1993, but an audit commission still described the complex in Weiterstadt as "a funury establishment" and said it should have cost 30 per cent less.

It's not just the prisoners who are living it up. Four policemen from Bochum decided they needed a sauma and a squash court in their new premises. Failing initially to secure approval, they pretended that the room was simply for storage, with an unusually high ceiling, Bingo, the DM45,000 came through. They have now been fined between DM5,600 and DM9,000 each. Still rather less than the cost. of the squash court.

Fired up

It is tough being a bureaucrat in Tokyo these days, as Kazuo

hot seat as boss of the Japanese foreign ministry's international press division, can testify. At his first social meeting with

journalists, Kodama told the story of one hureaucrat, moving in to a new job reputed for its toughness, who found three letters on his deak. He was instructed to open one each time he encountered "sections professional trouble.

Difficulties duly emerged and the newboy opened letter number one.
The advice was plain. "Blame your in electron." A few months later.
The new boy had occasion to open letter number two. It was entitled "Perestroika" and continued: Time for office restructuring".

Trouble struck a third time Hoping for some inspiration, the now not so new cureaturat opened the last missive. "Prepare three. letters," it said.

Arms length

Have things got to the point where British cabinet ministers do not dare to be seen in the same room as Chancellor Helmut Kohl? It is hard to find any other emlaration for last weekend's

strange behaviour by Malcolm Rificind and Michael Portillo, Both went to Munich for fringe meetings with their German - and, in Portillo's case, also French and US - opposite numbers.

All were attending the annual "Wehrkunde" gathering of defence Kodama, who has just taken over a buffs in the same hotel, at which

Kohl gave the keynote address. But neither Brit put his nose inside the conference room. Britain's seat was empty until half way through the proceedings when someone alerted the chairman to the presence of armed forces minister Nicholas Soames. He at least mada up in bulk for what be lacked in seniority.

Gavazzeni's coda Another blow to Italian

music-lovers following the burning of La Penice theatre last week. Gianandrea Gayazzeni, the conductor and composer, who drew such extraordinary performances from the likes of Callas, Sutherland and Di Stefano during La Scala's gulden years in the 1950s and 1960s, died on Monday at the age of 87.

La Scala is pulling out all the

stops for the funeral today, with an honour last accorded Toscanini in 1957. Riccardo Muti will conduct the funeral march from Beethoven'e Eroica symphony to an entirely empty house while Gavazzeni lies in state in the foyer, the doors open wide onto the square. Almost worth dying for.

Star billing

Full marks to the manufacturer of the DocStar electronic filing system for making capital of the Clintons' Whitewater troubles. An ad in the US press yesterday

picks up on the pressing question the federal grand jury put to Hillary Clinton last month concerning missing papers which made a sudden reappearance on a table in the Cliptons' living

quarters.

It is in the form of a letter from John Bottl, the CEO of BitWise Designs, maker of DocStar, addressed "to whom it may concern" at the White House. "It has come to our attention,* the letter kicks off, "that some time ago a few important documents were misplaced". Had the White House installed

the DocStar system, they could have retrieved the document electronically "merely by remembering any word on a page (eg Whitewater) and then pushing a button". Somehow, Observer does not expect the Clintons to become customers.

Ding dong

■ While Hongkong Bank yesterday inaugurated Vietnam's first bole in the wall cash dispenser in Ho Chi Minh City, some of the country's financial institutions appear to be less enamoured of the virtues of automation.

A bank in Ha Tay province in the north recently received a cash transfer of 30bn dong (\$2.7m) in 20,000 dong notes. In the absence of a machine, two employees were drafted in to do it by hand. They spent 15 days counting 1.5m notes.

Ginancial Times

100 years ago Life Insurance

Brazil has gone one better than Prussia in legislatioo apparently designed to drive out all foreign life insurance companies. According to the law passed in September last, every foreign company doing business in Brazil has to advertise in the public press every policy issued in the country, giving name, amount of premium and reserve. Further, the entire balance of the Brazilian premiums, after paying death claims and expenses, have to be invested in

50 years ago

Antidotes to inflation New York: The charge that certain public officials in Washington are deliberately fostering the "erroneous belief that the Stock Market is primarily the source of inflation" is made by Mr Emil Schram, president of the New York Stock Exchange.

Mr Schram declared: "The advance in stock prices and activity in the market are no more than symptoms of the disease of inflation. If we are to check inflation we must attack the basic causes, which are far removed from the surface reflections of the Stock Market."



FINANCIAL TIMES

Wednesday February 7 1996



Party chief's plea may spark political shake-up

Vietnam urged to allow switch to younger talent

By Jeremy Grant in Ho Chi Minh City

Viatnam's Communist party must recruit younger people to top positions, according to Mr Do Muoi, the party leader, who appeared to be signalling a genertion change in the country's

leadership. Mr Muoi, who also indicated that future leaders must have a better understanding of economics and technology, is understood to have decided to step down at a landmark party congress around June when the country's economic reform programme will be

His retirement would probably bave a knock-on effect in the party leadership, and posts including that of president, held by Mr Le Duc Anh, 79, and prime minister Vo Van Kiet, 73, could be contested. The congress, the first for five years, is expected to debate the future course of eco-

the Saigon Times Daily, are the clearest indication that a naw generation is likely to come to the fore in Vietnam's politburo, dominated by elderly veterans average age 71 - who played leading roles during the Vletnam war against the US.

"A younger generation in the Communist party is a must as an ageing party leadership could have a retrograde effect on the country," Mr Muoi, 78, was quoted as saving

Diplomats say it is too early to guess who might emerge as suc-cessors to those in top positions, but some say Mr Phan Van Khai, 62, deputy prime minister, could succeed fellow reformist Mr Riet if be relinquishes the premiership. Mr Muoi, who has a reputation

for ideological conservatism, became party general secretary at the party's previous congress

He bad been prime minister

Osaka set to offer

A \$1.6bn theme park, starring Tyrannosaurus Rex, ET and other cinema favourites is to be built in Osaka, western Japan, through a joint vanture which combines the talents and financial power of Canada's MCA entertainmant group, Britain's Rank Organisation and Japanese

park venture two years ago. Modelled on MCA's successful Universal Studios in Hollywood and Florida, the park is intended to be the main attraction which will draw other business into a projected "international media district" on Osaka's western waterfront.

The project is expected to graduate to the status of a Universal City, similar to that in Hollywood, combining the attractions of a "park-styla" entertainment complex with botels, multi-screen

Work is expected to start in

Mr Ron Bension, chairman of new theme park could attract 8m

park is built in and around working film and television studios the Osaka project will incorporate operational studio facilities.

visitors the Hollywood experience By Christopher Parkes in Los Angeles and Michiyo Nakamoto in Tokyo

investors.

The scheme marks the first overseas venture by Univarsal Studios Recreation Group, which, in parallel with other parts of the MCA concern, is being directed into aggressive expansion by its new owner, the Seagram drinks

The new park also highlights the group business culture in the Osaka region, as the local investors will include Osaka Gas and the Sumitomo group, which has its beadquarters in the city. Their involvement contrasts with the lack of enthusiasm shown by another Osaka company, Matsushita, the former owner of MCA, which failed to back the theme

Other companies expected to cluster round the park - in an area to be known as Universal City, Osaka - include software, telecommunications, information and research enterprises, MCA said. MCA and Rank will each take a 17 per cent share in the 140-acre park, with the balance distributed among the Japanese corporate backers.

cinemas, cafes, shops and "street entertainers" in what Universal calls "E-Zone entertainment retail districts".

1998, and the rides and other attractions should open in early 2001, MCA said yesterday. Tha largest in the country, after the bugely successful Tokyo Disneyland which has attracted more than 160m visitors since its opening in 1983.

Universal Studios Recreation Gronp, said be was confident the visitors in the first year, an attendance similar to that of Universal Studios' US park. As in Hollywood, where the

Jaguar lays off up to 2,200 workers after US orders fall

By Haig Simonian in London

Jaguar, the luxury UK carmaker owned by Ford, yesterday said it would lay off most of its 2,200 production workers for a week to reduce stocks of unsold cars.

The company blamed the stoppage mainly on lower sales in the US, Its biggest market. It said it bad no plans for further short-term lay offs or

Jaguar's move surprised analysts as it followed optimistic sales figures last year. Registrations soared by 32 per cent to 39.727 vehicles in 1995 - the high-est figure since Ford took control in late 1989. More than 45 per cent of sales came from tha US, where registrations climbed 19

per cent to 18,065 vehicles. Mr Colin Cook, Jaguar's corporate affairs manager, said the lay-offs would cut stocks by about 900 vehicles and belp to balance supply with demand. He said the company's expansion plans remained unchanged.

Preliminary figures from tha UK's Society of Motor Manufacsales of new cars rose by 0.3 per cent to 191,761 in the UK last month, compared with the same period last year. Jaguar's sales

Fears of further industry job cuts as manufacturers tackle overcapacity

since 1988, two years after Viet-nam officially abandoned com-

mand-style economics in favour

of market-oriented reforms

The general secretary, who has

been a Communist party official

since he was 28, said the role and

position of the younger genera-

tion would be decisive for Viet-

nam's future, but the young must

learn more about information

technology, foreign languages

and "ideology".
"The need for a younger party leadership will be a central issue

at the coming party congress," Mr Muoi said. "I've learned about young people in their 30s who

have fulfilled successful tasks:

tbey have convinced me the

younger generation should be responsible for building and defending the country."

About 60 per cent of Vietnam's

population is aged under 25.

Membership of the party stands

Although the association has

predicted this year's sales should

rise by 3 per cent, a number of

manufacturers are considerably

less optimistic, This week, Mr

Helmut Werner, chairman of Marcedes-Benz, said he expected

registrations to increase by just 1

Other companies were reluc-

However, Ford and Rover are

believed to bave told some sup-pliers to expect cuts, "There will

be horror stories in the indus-

try." said one supplier. The prospect of lay-offs reflects

the poor state of the UK car mar-

ket, which has been plagued by

overcapacity and weak demand.

Although new car sales rose by

1.8 per cent to 1.95m last year,

manufacturers were disap-

pointed. Demand from private

motorists remained weak, while

sales to fleet buyers, while

tant to discuss stock levels or

per cent in 1996.

production

at 2.2m in a country with a popu-lation of 73m, party figures show.

known as *doi moi*.

dropped by 8 per cent to 1,065 cars, according to the data. The society expects new car registrations to increase by 1.3 per cent to 1.97m this year. However, that remains well below the 2.3m sales of new cars recorded

"We are still a long way from the levels we need to be at for a healthy market," said Mr Ernie Thompson, the society's chief

He said last month's small rise over January 1995, which was Itself down 3.7 per cent on 1994, was "hardly the most encouraging start to the new year". The disappointing UK sales fig-

ures are in line with downbeat forecasts for European new car sales this year and follow announcements about short-term working by a number of big European carmakers. New car sales in the 17 coun-

tries monitored by the European clation rose by just 0.6 per cent to 12m vehicles last year, against peak sales of 13.5m in the early 1990s.

Hopes for tax cuts, Page 8 US to block BA without Heathrow deal

Continued from Page 1

sharing agreement with another US carrier, sncb as American. The prospect of an alliance between BA and American arose last year when the US carrier was considering taking over

USAir. Both American and United Airlines of the US decided not to mount bids for USAir. Many in the Industry still, bowever, see an alliance between

BA and American, which does not have a European narmer, as a strong possibility.

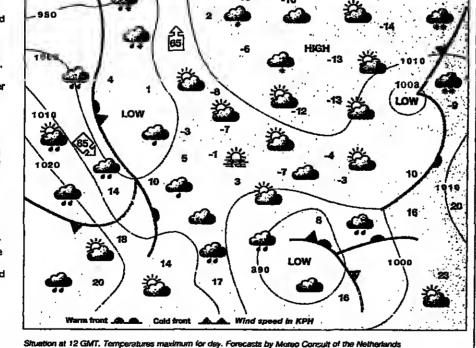
A code-sbaring agreement would create one of the world's strongest airlines. It would allow BA to sell seats on American's bnge network of US domestic rontes and give the US carrier access to BA's flights from Heathrow to other countries.

Europe today

High pressure over southern Scandinavia and the Baltic states will keep most of the continent dry and cold. Temperatures will remain below freezing in Scandinavia, Germany, the Benelux, north-eastern France. the Alps. Poland and the Balkan states. Depressions over the Atlantic will draw milder air towards western Europe. A series of frontal systems will bring cloud and precipitation to the British Isles and western France, Ireland will have outbreaks of rain. Colder air over Scotland and the UK will produce snow. The north coast of Spain and Portugal will be rainy. The Mediterrane be unsettled with numerous showers in southern Italy, Greece and western Turkey.

Five-day forecast

High pressure over Scandinavia and Russia will keep much of western Europe dry and wintry with temperatures below freezing over a wide area. A series of depressions from the Atlantic will bring in milder air accompanied by rain and snow over south-west France and the UK. The depressions will move into the Mediterranean where conditions will be





FT WEATHER GUIDE

THE LEX COLUMN

The Gas man goeth

Yesterday British Gas chopped itself in half and parted company with its chief executive – yet the stock mar-ket's reaction was: so what? The company is still lumbered with its uneco-nomic gas contracts and still faces a nasty regulatory review, the argument runs. This is all true, but not tha whola atory. Two things bave changed. The demerger purs a clear cap on the total bill stemming from the company's 240bn long-term gas contracts. And it means the cash cow - the TransCo pipeline business - will no longer have to foot this bill.

Together, these should add value. For a start, the net present valua of British Gas's contract losses can only be estimated in broad terms. It could well exceed £2.6bn, the net assets of the trading business which will house them. Yet the market is still likely to attach some value to this business and rightly so. If the liabilities turn out low, all is well and good. If they turn out high and the business ends up close to going bust, North Sea gas producers will have no choice but to renegotiate their contracts.

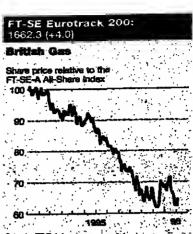
Of course, the demerger is not all good news. Separating the contracts nightmare from the rest of the com-pany probably means the regulator will feel freer to get tough in her forthcoming price reviaw. On the other hand, even after the review, the busi-ness - to be called TransCo Interna-tional - still stands a respectable chance of sustaining British Gas's dividend. After tax, interest and investment - but before tha review - it

should generate 2800m-£1hn a year in cash, well ahead of the £630m cost of the dividend. And to investors who believe the dividend can be sustained, British Gas's current share price will look low. Applying the yield of tha nbvious comparator, the National Grid, produces a share price of 270p; that is 11 per cent above the current price, even ignoring any value from the trading business.

Moreover, using a yiald valuation, as the market is likely to, underplays the value of the exploration and production arm. This is to remain with a pipeline business with which it has little synergy. More is the pity: British Gas could usefully have taken the opportunity to demerge this too.

Mittelstand

Germany's Mittelstand is becoming more adventurous. The country's second-tier companies hava long been derided for their reinctance to look



much beyond Germany's borders. That is changing. The latest exampla is Fresentus's bid to take control of National Medical Care, a US kidney dialysis business three times its size, in a deal worth \$3.8hn. Last month, consumer products group Benckiser narrowly lost to France's L'Oreal in a \$600m bld battle for cosmetics maker Maybelline. Gehe, the German drug distributor, is currently stalking the UK's Lloyds Chemist after acquiring

larger rival AAH last year.
The strength of the D-Mark and the high costs of doing business in Germany are part of the reason for this rush abroad. But Mittelstand companies are also starting to recognise thet they operate in global or at least Euro-pean markets; and that to get real access to faster-growing emerging markets they need to have a presence on the ground. Where marketing companies such as Adidas bave led the way, others are following. Fresenius has set up joint ventures in China and India in the past few years. Benckiser, although still private, has spent more than DM4bn (\$2.7bn) on acquisitions over the past decade and now makes 80 per cent of its sales outside Germany. As a new generation of managers, often Anglo-Saxon educated, takes the helm at many Mittelstand companies, the trend to internationalise will

BSkyB

The stock market is finally waking up to the regulatory threats to BSkyB's lucrative pay TV monopoly. But the specific event that triggered yesterday's 5 per cent fall in its abare price is curious. It is Premier League

has been branded a cartel by the Office of Fair Trading. Arguably, the Premier League's practice of selling broadcasting rights to its matches as a single entity squeezes a higher overall price from BSkyB. If clubs were prevented from forming a single front in talks, BSkyB might be able to pay less by picking them off one at a time.

The OFT may find it hard to per

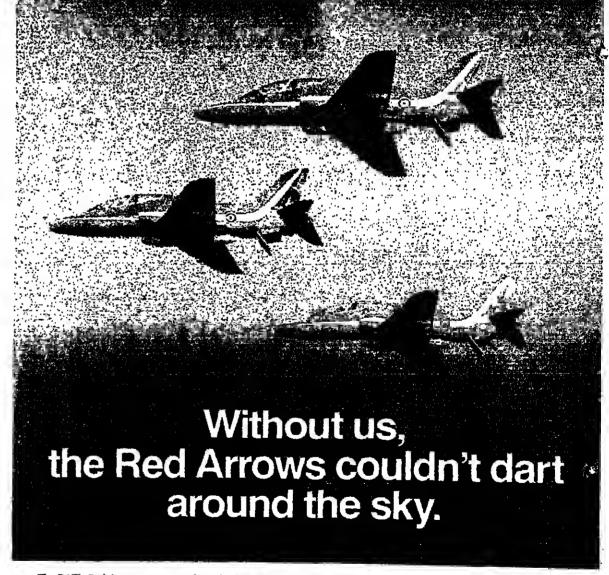
suada the Restrictive Practices Court to ban the arrangement. The Premier League's case that forcing clubs to negotiate individually would lead for fragmentation will be hard to answer Viewers would be unlikely to welcome it if, say, Liverpool cut a deal with the BBC, Manchester United plumbed for PTV and Tottenham Hotspur signed up

with BSkyB. That said, tha broader regulatory threat remains. Not only is it looking increasingly likely that the govern-ment will bow to pressure to curb BSkyB from showing certain sports exclusively; even more threatening is the OFT's main investigation into the satellite group's monopoly. It is hard to fault BSkyB's commercial success yesterday it reported a 70 per cant rise in earnings per share. But, with the shares standing on a multiple of about 30 times this year's earnings, the risks are still not fully priced in.

Ford

Ford's decision to launch a cheap and cheerful varsion of its Taurus saloon places a question mark over its whole pricing strategy. The car maker is in the midst of an ambitious overhaul of a third of its model range, including the Taurus, a new pick-up truck and the Escort in Europe. Unlike arcb-rival General Motors, which has merely tweaked the styling on some cars, Ford has produced all-new ver-sions, with better technology, more luxurious features - and significantly higher prices. But American consumers are in a bargain-hunting mood and the gamble has not, so far, paid off in extra sales. That is bad news, since of the three big car manufacturers, Ford has the highest development costs the new Taurus alone cost \$3bn. It is also some way behind Chrysler and General Motors in streamlining its purchasing. The combination is depressing profits at a time when car markets on both sides of the Atlantic are difficult and getting more so.

Additional Lex comment on UK taxation, Page 19



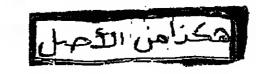
The RAF's Red Arrows are currently at the Singapore Air Show on the latest stage of a world tour, part sponsored by Messier-Dowty and Dowty Aerospace, to highlight the UK aerospace industry's export drive. Critical to aerobatics displays that have already thrilled crowds in 48 countries is a Dowty actuation system. Manoeuvring at 400mph, the Hawk pilots rely on Dowty actuators to operate their airbrakes (shown here) in a non-textbook procedure as they drive engine rom to almost 100% to achieve maximum agility. Thanks to such top-flight equipment, those magnificent men can push their flying machines to the limit.

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View from the top: Les Alberthal of EDS. active in 40 nations

in turmoll



IT in Government: The battle to cut costs



Software at work Rewarding insights

Directions Network-centric computings Transforming business



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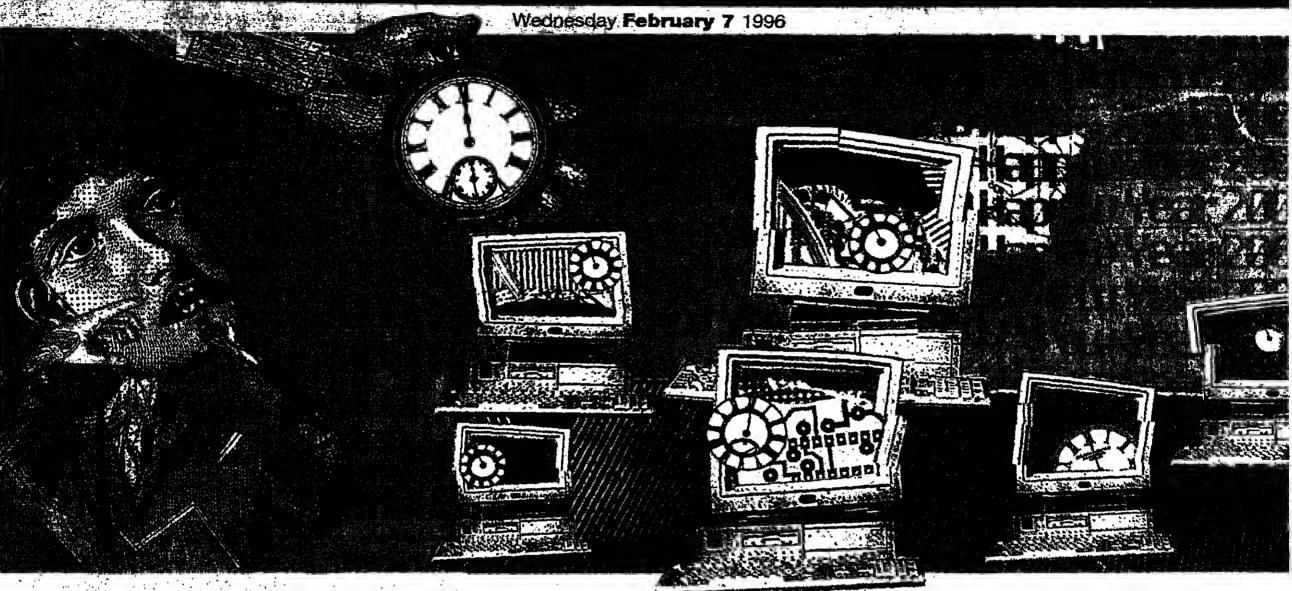
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12 - 7:20 care

Information Technology

Pages 4-12

FINANCIAL TIMES REVIEW



the challenges which the start of the next milleunium will present for business and other organisations, few are as away within many computer systems. It is a worldwide problem, which on some esti-

industry and it will have an enormous impact on business applications, package solutions and systems software, even putting some companies out of business warns Kevin Schick of Gartner, the IT. research and consultancy group.

Yet, many companies are still unaware of the so-called Year 2000 problem, or they have chosen to ignore it, or believe that with 47 months still remaining of the twentieth century, there is still plenty of time to put things right.

So what is all the foss about? Most older computer programmes, particularly those that run on 'legacy' mainframe machines. store dates in the dd/mm/yy or mm/dd/yy format - using two rather than four digits to designate the year. As a result, they cannot distinguish between the year 1910 and 2010 - both of which would be identified by the double digit 50.

At the same time, all date calculations are also affected. For example, a loan which starts in 1996 and ends in 2000 will be calculated as a minus 96-year loan

instead of a four-year loan. Many businesses will be affected by the Year 2000 problem long before December 1999," says Micro Focus, the mainframe software specialist. It has established a special Year 2000 team led by US-based

mates could cost up to \$600bm to solve. The year 2000 poses one of the most

ing with forecasting, loans, insurance poli-cies, transport schedules, retirement benefits, as well as others which will either stop functioning or produce incorrect cal-

Some software is also unable to cope

31, 1999.

instances of problem dates or date calculations, the solution might be relatively sunple. However, with millions of lines of computer code and complex interdependencies involved, it is an all-pervasive problem capable of causing disruption throughout an organisation and even

Software timebomb ticks away

With the year 2000 just 47 months away, many businesses face serious and costly disruptions because of the way older computers calculate dates, writes Paul Taylor

are likely to be affected will be those dealculations without attention.

with the fact that although the millen-nium is divisible by 100, it can also be divided by 400 and is, therefore, a leap the carpet.

Other issues include the use of the numbers 00 and 99 by programmers to indicate a mill entry or the final record in a database. In the case of older personal computers, many will reset their internal clocks to January 1980 at midnight on December

If there were only a few isolated

The problem has arisen because of the limitations of early computer technology and the high cost of storing information when the first commercial computers came into use in the 1960s. At the time, not storing the extra two digits denominating the century was an enormous space-

Although the Year 2000 problem has been acknowledged since the 1980s - and some programmes written since then store dates in the full format - many of those in charge of corporate information technology systems have chosen to brush it under

By the end of 1997, Gartner expects less than 20 per cent to have achieved full Year 2000 compliance, a figure which still only rises to less than 50 per cent by the end of

There are several reasons for this relucice to come to grips with the issue: I Firstly, it could be seen, to some extent at least, as a problem which IT professionals had brought upon them-

☐ Secondly, at a time when many companies were focusing on short-term bustness horizons, the end of the century seemed a long way away. Some IT directors may have thought, too, that they would have retired, or moved companies

☐ Thirdly, correcting the problem will be very expensive and bring little II any other benefits. Asking the board for funds may as a result have appeared an unattractive proposition. "People seem to think the millennium

issue will magically disappear, but in reality it is a basic computer problem requir-

ing a lot of surgery that must be under-stood, planned and addressed," says Ian Taylor, chairman of CMG, the computer services group. "A virus is simple com-

pared to the millennium issue." Delay in dealing with the problem will probably add to the eventual cost of re-coding programmes, and in many cases is not an option anyway.

Gartner, which has issued a series of research notes oo the subject over the past 18 months, suggests that about 20 per cent of business applications would have failed last year without corrective measures, and that by 1999 this figure will have risen to more than 90 per cent.

The high cost of solving the Year 2000 problem

For a medium-sized company with about 8,000 programmes which support business operations. Gartner estimates the cost of the Year 2000 crisis will be about \$450 to \$600 per programme or \$3.5m to \$4.2m; for larger organisations Dun & Bradstreet Software has estimated the cost could be as high as \$100m. Much of the costs relate

to programmers' time.
It would take 24 people one year to implement a solution in the example above. Alternatively, 12 people using 'soft-ware tools' developed specifically for this purpose, could be occupied for one year, in addition to any time needed to gain experi-

ence with the tools. That assumes the company can afford to allocate staff away from other priorities," notes Gartner.

in practice, many companies are turning to outside specialists to belp them with the Year 2000 crisis. Hardware vendors such as IBM and Unisys, software companies such as Micro Focus, consulting firms, such as Andersen Consulting, and computer services companies, including CMG, Viasoft and Cap Gemini have all

built up expertise in this area.

Viasoft, a US-based software tools company, has developed a three-phase approach to the problem - assess, plan, execute - and these activities are grouped together into what the company terms a comprehensive solution. Enterprise 2000. Customers can sign up for the whole process, or just for those elements they wish

to utilise. Viasoft worked with a client in the insurance and banking industry which had already been experiencing problems with the millennium issue. When Viasoft conducted its software audit, it discovered that from a portfolio of 10,000 mainframe programmes, 79 per cent of data items included references to date, and within this group three per cent required chang-

"Although three per cent may appear insignificant, in man-years the effort is most certainly not," says Stuart Watkinson, general manager of Viasoft in the UK. lem and ensure the code was millennium

compliant." Because the available external resources are limited, if the problem isn't addressed at an early stage, there may not be anyone available with the appropriate knowledge

Indeed, most of the programmes affected by the Year 2000 problems are written in an ageing mainframe language called Cobol and although there are still a large number of Cobol programmers around, in the US the number is decreasing by about I per cent a year as programmers move towards more fashionable and modern lan-

"As we approach the year 2000, the number of available Cobol programmers will decline quickly," warns Viasoft, "The time to start is now," says Watkinson. To reduce costs and belp automate the

process most specialists employ diagnostic and conversion tools - "there are more and more tools and toolkits available." says Elaine Eustace, CMG's Year 2000 specialist. Among the main suppliers are Via

soft, Micro Focus and Adpac.
"To minimise their exposure to the Year 2000 crisls. IT departments must begin immediately to analyse their applications portfolios, assess the extent of the problem and begin budgeting, planning for and implementing the potentially extensive corrective measures that will be required."

says Gartner. There are, Gartner's Schick points out, just three certainties in this work: "death,

taxes - and the year 2000."



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Extensa 550 10.5° dual scan colour display Low cost Pentium ■ Interview with Les Alberthal

By Paul Taylor

Needed: more thinkers 'on the outer edge'

DS is the undisputed leader in the outsourcing and large systems development and integration market with annual revenues of around \$12bn, a consistent growth record and a strong technology and skills' base.

The group's operations in 40 countries span the IT services sector and include a growing consulting business, boosted by the acquisition in September of A T Kearney; systems integration, involving the design, installation and implementation of computer systems; and IT outsourcing, wbere EDS runs clients' IT systems - for example. Britain's Inland Revenue often after purchasing the customer's assets and taking on Its computer staff.

Now the information technology professional services group, whose headquarters are in a space-age complex rising from the pasture-land near Plano, Texas, is preparing to be spun off from General Motors, the auto giant which acquired EDS in 1984 from its largertban-life founder, Mr Ross Perot.

in the process, EDS bas begun to re-assess its past, and define its future.

"Our perspective on the whole role of technology is that the world has seen five decades of the invention, creation and selling of technology which is basically personified by boxes," says Les Alberthal. chairman, president and chief executive.

"Tremendous amounts of money bave been spent on technology, but all we have really managed to do is to utilise technology to automate processes which were conceived 50 or 100 years ago.

While most companies and even governments bave the ability to make the technology work on a routine basis, we bave never really taken the time to rethink how this technology tool can really be lever-

indeed, the EDS chairman argues there is an ever-widening gap between the growth of technology and the use of tecbnology - "it is that gap that is really our marketplace," he

Alberthal believes that the emergeoce of a new generation of computer-literate young adults will bave a profound effect on western economies as they enter the workforce and become consumers - "this will start to change significantly bow goods and services are procured and used throughout

For example, be thinks most mail order catalogues will go on-line: "You are going to be able to buy the sweaters in the colours and everything else you want, straight off the terminal, 24 bours a day. Industry by industry, product by product the transition will start: It won't be overnight, but as this workforce moves into the con-



erthal: 'No one technology offers a universal panacea'

sumer band you are going to start to see dramatic changes. "Our job with our customers is to help them figure out how to make the right changes at the right time, to make sure they stay on the outer edge of the market that they are in.

"One of the main reasons for us getting into consulting is to have more people thinking on the outer edge of where changes are coming in industries, to look ahead so we can take our implementation skills and tie them on to a better envisioning process for the future.

EDS believes that the combination of a computer literate workforce together with the privatisation of telecommunications will make it easier for business to communicate directly with consumers.

For example, says Alberthal, carmakers have the technical ability to communicate directly with the consumer 24-hours a day, seven-days-a-week, "but we have this retail distribution years to develop and nobody knows quite what to do with

Eventually, an outsider will come in and make the technological leap leaving competitors trying to catch up, he predicts. That outsider could well come from the developing nations of Asia, he suggests. "The change is coming and

we will have to be able to addreas that change," says Albertbal. "In our case, our whole business is working with our customers, both government and private sector, helping them more effectively leverage technology.

"Technology is a leveragea ble tool - It can bave an impact on overall cost, time-tomarket quality. It is a differentiating factor.'

But Alberthal is also keen to emphasise that no one technology offers a universal panacea: There will be situations where using a big mainframe works, but there will be situations where it doesn't."

EDS' own research and development activity is mostly focused on tools designed to make its systems engineers more productive. Generally, the group buys in software narrowly related to a particular industry - "most of our systems engineering activity will be in the area of trying to pull all the pieces together," be

Since EDS is one of the top five customers of all the main bardware suppliers, it is typically 'a beta test' for all of them. "That gives us a chance to see what is coming and influence some of the processes because they also want to use us a marketing avenue to get their product out," be says. However, be also believes that

Successful companies in the future will be those that make the right changes at the right time, ensuring they stay on the outer edge of their markets, says Les Alberthal, chairman, president and chief executive of EDS, the worldwide IT services group with annual revenues of \$12bn

there is a 'fashion' element in the technology box business. Everyone has to have the newonly way the manufacturers can sell new equipment," he

"Client/server 'hit' two years ago, client/server was the new wave and mainframes ware going out of the door - everything was going to be client

"Client/server was nothing but another technology.

The challenge for business and government is how to put together the right blend of technology to do the best job in any given situation - "you don't necessarily want to be on the outer edge of the weve of change because than you become the testbed. And business is usually half a step to a sten back because you need reliability, you need lower cost. You need it to be a commodity type of activity".

Companies need to stay as

close to that outer curve as possible without getting into the testbed area, but at the same time they need to ensure that they do not spand so much money that they cannot be competitive with their rivals - "the biggest problem 1 see over the next 10 years is going to be companies that fall behind too quickly because. right now, a lot of companies are really focused on line-item costs of technology".

For them, the danger is that 27 years. "I've seen it grow they miss a significant technology move - "our whole pitch to our customers is that you have to continue to look at technology in the broadest Significantly, aenior EDS light, how can it have the maximum impact on your business. Let that be the driver of the

decision process". Tha main competition for old image of being stuffy,

from something that conceptually nobody understood, to where the market is going in our direction. It's an exciting

executives including Alberthal also seem ready now to admit that EDS needs to change its

"The initial business we had in the 1960s and the early 1970s

was with organisations who couldn't make their computers work ... we were entrepreneurial, crusty and arrogant and all those things that went with it." During the early 1980s, he says, Ross Perot cultivated the image, "because it was the militaristic, hard-charging kind of

executive level; Honeywell had them, Burroughs had them and gradually what has happened is that as hardware has become more of a commodity. the importance of the software and the technology side has taken its place we have moved into the executive decision pro-Starting in 1986, Alberthal

says the group knew that it needed to start tempering its image, "so we started making a conscious effort to 'soften', to let the world and our customers know that EDS people are very professional, very capable - but fust like other people." So what image does EDS want to project for its future? "We are obviously grappling

with that right now," says Alberthal, "because when we get this spin [off] done, it will be the first time in the history of the company that we are not overshadowed either by the personality of Ross and what image he was trying to create for himself, or General Motors.

"EDS, the company, will be independent, with our own board of directors. We are dealing with that Itha image question] right now: we don't have? all the answers, but the things that are important to us are stressing our professionalism, our integrity and our commitment to getting the job done. Wa will take the things out of our history that are good and try and build on that," says Alberthal.



Global nerve centre: staff at the EDS he Information processing centres around the world - all linked via EDSNET, the company's private digital

EDS comes from companies such as IBM, AT&T, Andersen Consulting and CSC, but Alberthal notes that EDS has the benefit of 30 years' experience in this business - "I'm debighted we're in the position we are," says Alberthal, who has himself been with EDS for

aggressive and very conservative - even blue shirts and beards were once banned. Alberthal explains: "When we were very small and didn't have access to very much capltal, we were individually and collectively, very 'hard charging'... we were very focused.

image he was trying to foster for himself'. Meanwhile, be claims "the

big, old, black image" of EDS was fostered and fed on by the bardware companies - "the hardware guys used to command the executive level, IBM had all the relationships at the

Mr Osborn points to other

factors which are exacerbating

the skills crisis this time

round. He mentions legislation

changes, notably in banking,

already a heavy user of IT

staff. The UK deregulation and privatising of utility markets,

notably gas and electricity, is

creating new companies, all

create still more problems.

Massive reprogramming will

The turn of the century will

needing systems developed.

T skills market in turmoil

Businesses are feeling the impact as the shortage of IT skills hinders moves to more efficient ways of working, especially in customerfocused processes

■ Recruitment

host of unconnected factors have combined L Lto throw tha IT skills market into the greatest turmoil since computers started

Skills shortages are adding 21 per cent on average to computing costs in the UK and are increasing staff turnover and leading more permanent employees than ever before to quit to become contractors.

Skills shortages are not new in IT, where people bave tended to see themselves as

FT-IT Recruitment: A new section starts today in UK editions of the Financial Times. It will appear each Wednesday in

the UK and each Friday in international editions of the FT working in IT rather than for a

particular employer and have been ready to move to get the next technology challenge and

career step-up.
But this time the situation is worse - and employers and recruitmant apecialists see no hope of improvement.

"Althoogh the skills crisis of the mid-1990s ia following a similar cycle to that of the 1980s, there is now a new generation of skills in demand and very different employment structures and career paths," says Philip Virgo, researcher for the annual IT Skills Trends Report, published by the Institute of Data Processing Man-

The costs issue has since been a subject of great debate - companies, meanwhile, have seen that the central mainframe still has a role as the central store of corporate data and the processor of corporate systems. These two shifts in IT thinking came, however, at exactly the wrong time: the

new skills - and training is

but as the recession ended companies dusted them down, only to find that every other company was doing the same

Theo came the reversal of attitude towards the mainframe - and companies found they now also lacked the traditional skills. In tha recession they had retrained some Cobol programmers in the new skills and made others redundant, seeing tha future beyond the recession as client-server. But they now find they need the traditional akilla almost as much as expertise in the newer

These trends are highlighted by a survey of I' meots in the tra

	L
b advertisments ous year 34 per cent 23 per cent 23 per cent 67 per cent 61 per cent 25 per cent 25 per cent bu	s i ve ofi Bu dr sir

SSP for Computer Weekly mag-This shows that Unix and C skills are most in demand -

but growth in the need for these skills is outstripped by that for C++ and for Cobol, the oldest language in the top 20 yet still in fourth place.

In addition, skills in the mainframe DB2 database manager, CICS transaction processor and SQL query language

Colin Osborn: The market tightened increasingly in 1995'

are also in the top dozen and enjoying well over 60 per cent

A new survey of 270 UK IT managers by recruitment group Delphi shows that 80 per cent have skills shortages and 62 per cent expect the problem to get worse in the next two

Colin Osborn, associate director for personnel at IT services company CMG, bas noticed changes almost from mooth to month: "The market got tighter and tighter as 1995 went on and the pool of people had certainly diminished hy the end of the year."

be needed to ensure that aystems can caiculate differences between dates across the two centuries, says Mr Osborn. US studies have put the cost of this task at \$10m for IT departments of more than 25 people.

Tony Coombes: 'IT people are

looking for new challenges

"An enormous workload needs to be staffed bere, much of it, again, with people with the older mainframe skills," be

Tony Coombes, director of recruitment group Software Personnel, says the very rush to develop client-aerver systems is adding to the jobs market turmoil, regardless of skills sbortages.

employers 'doing sexy things', because it gives them a new challenge and looks good on the CV to be linked with a pioneering company," he says. This means that even those doing client-server development have to constantly seek to motivate their people. The skills sbortages bave

"People are looking for

also come at a time when employers are exploring flexible working, to the extent of taking on permanent staff on fixed-term contracts and often expecting people to take responsibility for their own development, says Mr Coombe "People are 'goi contract' because they feel insecure in permanent employment and say they might as well be insecure as contractors

and get better pay," he says. Growing use of contract staff to fill skills gaps is contribut-ing to the 21 per cent costs increase, highlighted by the Delphi survey. It shows that almost two-thirds of computer departments use contractors. A fifth of the rest expect to turn to contractors in the next two years, while almost 60 per cent of existing users will increase their dependence on outsiders.

Delphi chief executive Tony Reeves points to the ultimate business impact of all the jobs market turmoil - "companies are putting-off updating their systems," he says. "This affects IT costs, eapecially if they want to downsize - but it also has a business impact, as they are not getting the new systems they want to support the general switch in emphasis from isolated departments to company processes, especially customer-focused process Next month in this

Review: Compantes use creative thinking to beat skills

■ European manufacturing industry: IT Impact Survey

Review of key issues for senior managers

New survey on IT in manufacturing aims to influence national funding strategies

The health of manufacturing industry is critical to Europe's perity, and the IT industry ong maintained that stment in its products is a to manufacturing tability.

t is the IT used by efacturing industry really essing companies' ess objectives? Is senior gement successfully using IT investment as an instrument of organisational change and global strategy? And is the concept of

and supplier a myth or a key aspect of IT policy? This summer, the FT-IT Review will publish a summary of the results - and a number of selected case studies – from the European Manufacturing IT Impact Survey, which will answer these and other questions by

The survey - the first in what is intended to be an annual series - is being carried out by CATN, the pan-European IT market research and industry analysts. Its Cambridge office, Cambashi, is leading the

project.

examining practice in

European manufacturing

The issnes to be analysed are known to be of serious concern to senior manager across manufacturing

industry. EMIT will identify the state of progress, current best practice and future

The project is being funded by a group of 10 leading technical IT vendors with the purpose of determining how their services and processes can be more closely aligned with the strategic business objectives of their leading

Results will be made available to the appropriate policy-making departments in national governments and the European Commission, with the aim of influencing their funding strategies in the area

uf technical IT. For further details, contact Brian Gott or Mike Evans de Cambashi on +44 1223 460439 or fax +41 1223 461055.E-mail 10043L3342@CompuServe.com



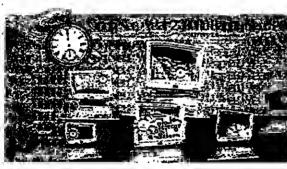
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FT Review of Information Technology

Commissioning editor: Michael Wiltshire Writers in this issue (volume two, number one) include: Paul Taylor, IT Correspondent; Louise Kehoe, Steve McGookin, Claire Gooding, Philip Manchester, Michael Demosey, John Kavanagh, Geoffrey Wheelwright, George Black, Nuala Moran, Tom Foremski, Rod Newing, Martin Banks and

Graphics: Robert Hutchison.

Mustrations: David Smith (cover) John Springs and ingram Plnn

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The next issue, March 6: This will include the following main themes: Converging Technologies in IT and Communications IT Directions: Network Management. Software At World Help Desks.

Main themes for the April 3 issue: Focus on Desktop Computing IT Directions: Video and tele-conferencing Software: statistical analysis and modelling packages in finance

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Early skills crises arose because of the pure growth of computing. The 1980s brought demand for PC and networking specialists. But all the time the

central mainframe computer was the corporate IT mainstay. This time round, bowever, there has been a shift away from the mainframe into totally new IT set-ups - followed by a realisation that the mainframe is still important

after all. The first shift started at the end of the 1980s when computer suppliers came up with tbe client-server idea. This moved systems off the mainpnters in business departments, typically running under the Unix operating system: the selling points were that users got control of IT and overall

costs were cnt.

start of a recession. Client-server systema demanded new sets of skills in companies which bad previously kept up traditional mainframe system development by maintaining a steady flow of Cobol programmers. Suddenly, they needed skills in Unix and the associated C and C++ pro-

gramming languages.
Client-server projects wera well under way when the recession atruck, but already there were shortages of the one of the first activities to be put on ice when times get

Projects, too, went 'on hold', and looking for staff.

programming languages.

		SKILLS IN	DEMAND
Q3 1995	Skill area	UK IT job adverts, 1995	increase in job advertisments over the previous year
1	Unix	18,358	34 per ce
2	C	16,683	23 per ce
3	C++	13,581	67 per ce
4	Cobol	12,272	
5	Oracle	11,206	54 per ce
a	Windows	11,194	
7	RPG400	7,838	15 per ce
а	VBasic	7,270	
9	SQL	6,795	77 per ce
10	Novell	6,455	
* Ad	verte in UK week	y trade magazinas and rel	ional press. Daza source: Computer Weakly/ St

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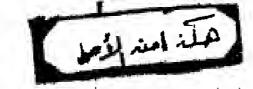
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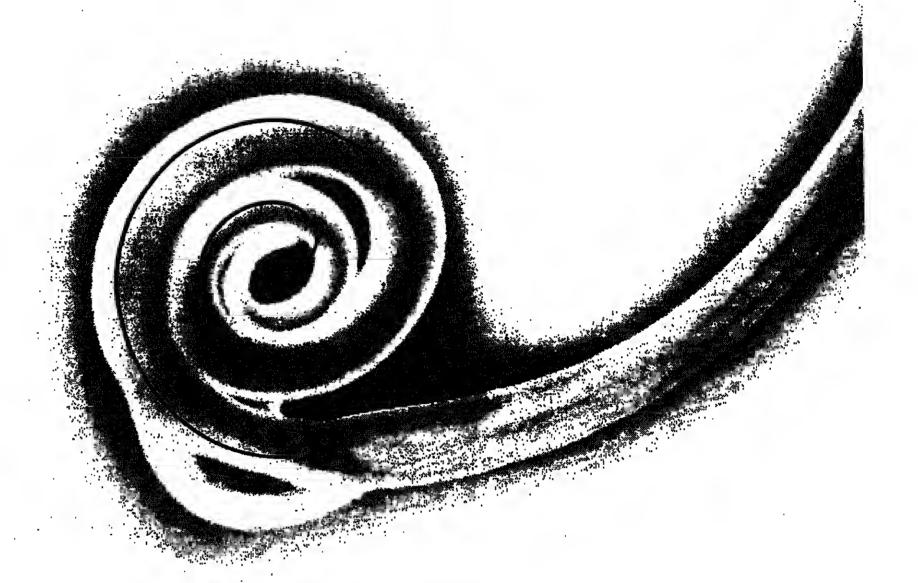
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By John Kawang

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IT in government



Revolution in the public sector

following eight pages, FT writers show how information technology is becoming crucial to governments around the world

II. IT in the UK public sector

Here and on the

Squeeze on the big spenders

Around the world, central and local governments and public sector agencies are among the biggest spenders on IT hardware, software and services

he public sector has become one of the most dynamic markets for information technology as govciency, cut costs, become more 'customer-focused' and respond to the new 'Information Soci-

In the UK alone, 100 government projects with a capital value of around £2hn have been identified under the Private Finance Initiative (PFI), giving some indication of the scale of the new opportunities opening up for the private sec-

Following the lead set in the 1980s by Scandinavia, the US and Britain, governments are re-examining their role: increasingly, they are seeking to withdraw from the direct provision of goods and services wherever possible, often

regional health authoritles,

and the handing over of their

IT operations to outsourcing

companies, has created a mar-

ket worth £73m a year in 1995,

Four of the top ten contracts

by annual value in 1995 were

in the NHS. However, this may

be misleading because the out-

sourcing companies which

took over the regional operations had then to win

contracts with the NHS Trusts

to supply the services previ-

ously provided by the Regional

health business at Hoskyns.

which won the South Thames

ents a challenge because it

means winning business from

lots of relatively small custom-

ers. To get the return on

investment you have to get

groups of them to take the

He believes, bowever, that

the business will grow - "most

of the trusts are too small to

run their own IT and will turn

to the outsourcing partner

when they need to develop new

computer systems". Overall.

public sector IT now accounts

for around 40 per cent of the

The two biggest deals, the

Inland Revenue and the Infor-

mation Technology Services

Agency of the DSS account for

more than twice the value of

the other eight contracts in the

The central government

move to outsourcing was dic-

tated by the White Paper, Com-

peting for Quality. This called

for each activity of government

to be reviewed, and either abol-

ished, privatised, restructured

Opening to the market takes

two forms: market-testing in

which the in-house providers

must pitch against outside con-

tractors. For example, teaming

up with Logica, the in-house

team won the £100m Customs

and Excise contract.

announced in June 1995. Or

straight outsourcing, where

the in-house team does not have a chance to bid, as in the

Elbn Inland Revenue contract.

the government centre for

information systems, which

has assisted in much of the

market-testing programme,

John Wright of the CCTA.

or opened to the market.

UK outsourcing market.

top ten.

Paul Hocking, manager of

Health Authorities.

same services".

according to l'Inet Index.

"The machinery of govarnment is being reduced in size. through focus, efficiency and the application of information technology," noted a recent report on the UK's Civil Service IT spending, prepared by Kahle, the public sector esearch firm.

At the same time, governments and public agencies are turning to IT to help cut costs and improve the quality of service and value for money which they provide. In Britain, the PFI, Citizens Charter, Local Management of Schools, restructuring of the health service and move to unitary local authorities are just a few of the many structural changes under way in the public sector.

"All place increasing demands on government departments to provide higher

tion, more efficiently and effectively while maintaining financial control," says BT Enterprise Solutions, part of the UK-based telecoms group.

"As a result, technology is

increasingly important to today's government departments which look to IT and new dats networks to reduce costs and increase efficiency."

Highlighting this, European Union member-coontries spent a total of \$7.86bn on public sector procurement of hardware last year and a further \$16.1hn on software and services, according to European Information Technology Office fig-

In the UK, where the Government Centre for Information Systems (CCTA) advises departments on IT matters. central government IT spending will total £2.31bn in 1995/96, slightly down from the peak of

By Nuala Moran :

Reducing costs and risks

Under the UK's Private Finance Initiative. IT companies win contracts to design and build computer systems - but they pay for the privilege. These companies will receive payments for processing work on new IT systems. The attraction for the government is that there is no capital investment - and risks are transferred to suppliers

utsourcing of information technology bas become one of the most powerful mecbanisms for achleving the UK government's policy of cutting back the public sector. The majority of central government IT is now outsourced, as is much of the computing for the National Health Service. Around 10 per cent of local government IT operations are now outsourced.

At a stroka, outsourcing computer systems which process income tax removed 2,000 civil servants from the government payroll; handing over the IT in Department of Social Security offices achieved a sim-

Britain has the largest outsourcing market in Europe up to £1.4bn last year from ket research by the outsourcing company lTnet, in its lTnet Index. This is consistent with independent research, pnblished in the Holway report, which estimates that the market will reach £2bn a year in

entral government now accounts for more than a quarter of the UK market, with the annual value of its outsourcing contracts standing at £353m, according to ITnet index, or £400m. according to the husiness strategy consultancy, the Coba Group. However, it is hard to be precisa about figures because the government does not keep any overall tally of

contracts. Oliver Walker of the Coba Group says that two-thirds of central government's annual IT expenditure has now been outsourced. On the other hand. he says, the local authority market for IT outsourcing is not so well-developed. Under compulsory competitive tendering, around 10 per cent of local government IT, or £108m a year is now outsourced

But much more is already planned, as tendering deadlines approach later this year and in 1997 and 1998. Unless the requirement changes, 75 per cent of local government IT will be subjected to compulsory competitive tendering by

In the National Health Service, the dissolution of the says: "It was estimated at the time contracts were let that there would be savings of 15-30 per cent against existing running costs and I believe that is the case in practice. Although cost-cutting is

ohviously an incentive, one of the other drivers to outsource was the history of IT disasters, according to John Bateman chief executive of EDS Europe. The cry was, 'lt's three years over time, out of budget, and we need belp'."

Of course, outsourcing existing computer systems does not avoid this problem, but now the government bas hit on a scheme that it hopes will succeed - the Private Finance Ini-

Under this policy, IT companies win contracts to design and build computer systems, but they pay for the privilege.

Top ten public sector IT contracts awarded in the UK

Listed here are the customers, with annual value of contracts and the year they were awarded:

1. Inland Revenue, £120m. 2. Information Technology Services Agency, £82m, 3. Driver and Vehicle

Licensing Agency, Swansea, £25m, (1993). 4. Scottish NHS, £20m, (1995)_ 5 HM Customs and Excise. £14.3m (1995, in-house with partner, Logical.

6. The Home Office, £10m, (1994).7=. Birmingham City Council, £9m, 1989, renewed 1994. 7=. London Residual Body,

£9m (1988). 8. LOLA, four London boroughs, £8m (1993). 9. South Thames Regional Health Authority, £8m, (1995).

 Among other public in the UK last year were: Oxford Consortium, 25m. NW Regional Health Authority, £5m. London Borough of Southwark, £4.5m. Health and Safety Executive, £3m. London Borough of Kingston and Sutton, £2.9m. Companies House, £2.5m. Source: ITNot

as the builders of the Skye Road Bridge get their return through tolls for use of the bridge, the IT companies will receive payments for processing government work on the computer system. The attraction for the government is that there is no capital investment,

the supplier

The first big IT contract to be let under PFI is for the development and operation of a new National Insurance computer system, known as NIRS2. awarded to Andersen Consult-ing in April 1995. Andersen has not revealed the cost of setting up the system, though industry estimates suggest lt will be over £100m.

and the risk is transferred to

The system will become operational in 1997 and the contract is due to expire in 2001, but may be extended by up to a further three years, if merited by good performance.

Although he acknowledges "it would be better to get paid as the project goes along", Jan ing says the attraction of PFI deals is that they are about creating the future. "Traditional outsourcing is rather like undertaking - you mind the asset until it is dead, and then you bury it."

PFI, on the other hand, presents an opportunity to invest in what is right for the future. From a business point of view. this is much more attractive than going into cost-cutting mode to run what was created

in the past." It is government policy to use private finance for all cepital expenditure. Other IT PFI contracts now in the pipeline include computers for 20,000 post offices and computerising the Lord Chancellor's Office, which among other activities runs the courts in England and Wales and administers Legal

Using private finance will increase the pace of government IT projects, according to Ron Nield of Mercury Communications, "The Civil Service is averse to risk-taking; progress will be inevitably faster with commercial involvement."

However, the experience to date is that the complications of evaluating PFI deals has slowed-up the already burdensome procurement process, and that it costs at least twice as much to bid for a PFI deal as a standard contract. Mevrlck Williams, who is responsihle for government husiness at Computer Sciences Corporatlon (CSC) belleves "this is mainly to do with teething troubles ... PFI is new to all of in perspective".

management or outsourcing.

Among the big outsourcing contracts awarded in recent years in the UK, EDS won a 10-year contract in 1994 to run the Inland Revenue's IT services. The first stage, implemented in July 1994 including the department handing over operations of the main tax systems. Under a second phase due, EDS is taking over responsibility for development work, including the development of a system to support the introduc-



The battle is on to cut costs in the largest area for IT spending in most countries:

£2.36bn the previous year. The latest figure includes £609m on equipment, £407m spent externally on software, £698m on external services including consultancy, faciliement and maintenance, £130m on telecoms services, £411m on IT staff and £56m on supplies and consum-

The biggest spending departments, as in most countries, are defence and health where IT spending accounts for 30 per cent of gross running costs. However, the main growth area in government IT spending in Britain, as elsewhere, in recent years has been facilities

In the UK, government spending on outsourcing has jumped from £31m two years ago to £211m in the current fiscal year - "Across the public sector, the provision of IT has been outsourced to a significant level," say Roy Dibble, director of the CCTA, "It is a trend across the whole of government"

tion of self-ass

However, with so many large

H. UK's drive to outsource IT services

spotlight, some inevitably hit problems. in the US, for example the Internal Revenue Service's plans to spend as much as \$23hn on new IT systems over the next 12 years has run into criticism from the General Accounting Office - see report,

Government IT procurement policy has also changed in recent years, in Europe, for example, most governments once gave preference to nationalhardware vendors such as ICL, Bull, Olivetti and Slemens Nixdorf. However, under EU procurement rules all large contracts must now be open and competitive.

Many in the government, as well as the IT industry, complain these new procedures are cumbersome, complex and add significantly to costs. "To win government contract involves high costs." says Neil Smith, Microsoft's European government business manager.

Indeed, many in the industry believe that competitive tendering and other procedures, including PFL actually reduce choice by pricing all but the largest companies out of the bldding process. Equally importantly, most

governments are also moving away from custom-designed software and using commercial off-the-shelf software ('Cots') instead. "in the good old days, departments used to employ thousands of programmers and 'rolled their own' software," notes Mr Smith. "But over the last five or six years, more and

As the leading operating system and shrink-wrapped software applications vendor, Microsoft has been a significant beneficiary of this trend in both North America and Europe, For example, under

project 'Dawn' the UK Ministry of Defence Procurement Executive's new Abbey Wood head-quarters in Bristol will have 5,000 terminals running Windows NT. Microsoft's enterprise operating system, and the MS Office 95 applications suite see report, page 9. ust a few years ago, proj-

ect Dawn would have been built around a mainframe chine, but in government, as elsewhere, there has also been a marked trend towards downsizing and client/server systems. Thus, from 1993/94 to 1995/96

on PCs from suppliers such as Compaq, custom PC huilder Centerprise international, Dell and Siemens Nixdorf, rose from £357,8m to £364,7m and they now account for 60 per cent of all hardware spending. in contrast, spending on proprietary mainframe systems has fallen from £106.8m to £59m, while spending on Unix-based mainframes and minicomputers fell from £106.8m to

However, governments remain big buyers of tha latest generation of mainframe machines. In the US, the Office of Management and Budget

told Federal Agencies last year to begin to close or consolidate small and medium-sized data

lid

827

Such moves enable US gov ernment agancies to take advantage of newer and cheaper mainframe designs from IBM and most of its competitors, including Amdahl, which have shifted from costly emitter-coupled logic microprocessor designs to those based on complementary metal oxide semiconductor (Cmos) technol-

At comparable performance levels these new computers require 10 to 15 per cent of the floor space and as little as 3 per cent of the energy of older water-cooled mainframes.

For example, one study showed that consolidating three data centres into one 300Mip megacentre would save about 35 per cent of the costs

Because of their large spendalthough traditionally cautious IT purchasers, can also be technology drivers in some circumstances. For example, Spain's Ministry of Labour recently awarded Unisys a \$12.8m systems integration contract to provide hardware, software and services in support of a national social secu-rity identification card project, know as Tass.

Using a regional network of public kiosks and personal smartcards, the project will use automated fingerprint technology to provide users

Continued ou facing page

Rush for big contracts

Competition has intensified among the larger suppliers of outsourcing services in the public sector

n the early days, outsourc-ing – or facilities management - was regarded as rather menial, and snidely referred to as "box-minding".

Today, however, onisourcing is the most fashlonable activity in IT and almost every company in the industry is busy re-inventing itself as an "outsourcing hustness". For example, IBM, the computer giant, created an outsourcing division in 1992: Bull Information Systems set up Integris in 1994, and last year Siemens Nixdorf established Slemens **Business Systems as a distinct** outsourcing unit.

Much of this metamorphosis has been prompted by the government drive to outsource IT, which has aeen mouthwatering coutracts np for grabs. The largest UK contract awarded to a single supplier. to operate the Inland Revenue computer system, went to the outsourcing market leader, the US company EDS in 1994. EDS took on 2,000 staff and the responsibility to meet all Inland Revenue's current and future IT requirements in the

In 1995, a further 1.500 UK government employees were transferred to EDS when it

won a share of the largest IT outsourcing contract to have been let by the UK government, the Information Tecbnology Services Agency (ITSA) the body that runs the computer operations of the Department of Health and Social Security.

EDS's turnover topped the \$10bu turnover mark last year. The importance of outsourcing is demonstrated by the fact that more than 50 per cent of its 80,000 worldwide workforce joined the company through ontsourcing deals. And the value of its husiness with the UK government is highlighted by the fact that of 16,000 staff in Europe, it acquired 3,500 through the Inland Revenue and ITSA deals. EDS also handles the IT slde of tha Driver and Vehicle Licensing Agency in Swansea. EDS shared the ITSA con-

tract with the French/British company Sema Group, which last year made £174m of its £596m turnover from outsourcing. While EDS will operate ITSA's mainframe processing centres. Sema is responsible for the desktop computer systems in DSS offices around the country. ema also won one of the

other large central government contracts let last year, the £50m deal to provide IT services for the Home Office. This includes computing for the Prison Service, the Passport Agency and the Forensic Science Service.

The third partner in the ITSA deal, ICL Sorbus, (a venture created in February 1995 to exploit the outsourcing market), will be responsible for data communications. including software distribu-

ICL has a better-known ontsourcing arm, the CFM Group. leader in local government outsourcing, with over 50 per cent of the contracts let to date. CFM had a turnover of £120m in 1995, of which 45 per cent was in local government. The 'nnmber two' in UK local government outsourcing

is ITnet, with 25 per cent of the market by value. The company, which recently became independent of its parent Cadhury Schweppes through a management hnyout, has 900 staff and bad a turnover of £50m in 1994. The other company to have a

significant share of the local government market is Capita Managed Services, part of the Capits Group which employs 900 ataff and had a turnover of

The abolition of the UK's regional health anthorities has created another growth area for IT ontsourcing. The largest contract in 1995 for the NHS m Scotland went to the US company Computer Sciences Corporation - CSC employs 33,000 people worldwide and had a turnover of \$3.8bn for 1994-1995.

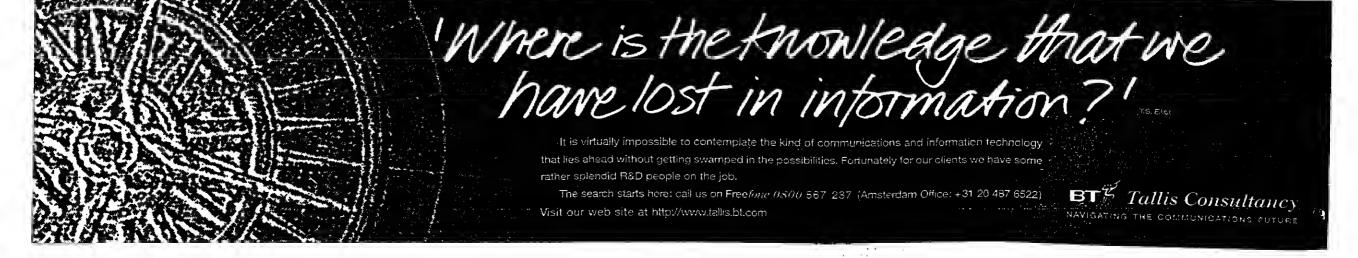
The company now has annual revenues of more than £50m in the UK public sector,

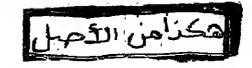
including defeuce. The largest health anthority contract in England and Wales, for the Sonth Thames RHA, went to Hoskyns, the UK arm of Cap Gemini Sogeti, the largest European computer services company with 20,000 staff and revenues of over £1.2bn in 1994. In the UK, Hoskyns employs more than 4,500 people, a rise of over 750 in 1995. and has announced plans to

recruit a further 500 in 1996. ne of the most significant government outsourcing contracts, to set np a new National Insurance compnter system, does not appear in any leagua tables, because its value was not revealed. This contract, won by the management consultants Arthur Andersen, is the first under the Private Finance Initiative.

Andersen will design, build and pay for the system, estimated by the industry to cost more than £100m. The company will then receive payments from the government linked to the volume of husiness It processes. The system is due to start operating in 1997. Andersen's contract runs to at least 2004, and possibly

But not all the UK's larger government outsourcing contracts have gone to ontsida contractors: one of the biggest, at HM Customs and Excise went to the ln-house team, with the support of the IT services company, Logica.





The political impact of information technology nformation technology has

How IT delivers more power to the people

government bureaucracy in the way they have in the past. They expect something better now'

been a political hot potato since the mid-1960s when the UK's former prime minister Harold Wilson linked the future of Britain to the white heat of technology".

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Through the 1960s and 1970s, government initiatives aimed at promoting indigenous lT industries were a regular feature of political manifestos across the western world. This, of course, was the time of the Cold War and massive military spending - much of which went directly into IT projects.

growth of the IT industry. IT

This helped to lay the foun-

was seen as a strategic indusindustries.

dation for the spectacular

the Cold War, military spending cuts and the emergence of

by subject or chronologically

along with links to how other

Congressmen voted on speciic

There is also a performance

evaluation by special interes

groups, as well the politician's

responses to Vote Smart's own

questionnaire, the National

Political Awareness Test, if

they are up for re-election in

In December, twelve out of fifteen Republicans seeking

their party's presidential nomi-

nation agreed to suhmit

answers to Vote Smart ques-

tions on a range of policy top-

ics. Buchanan, Fletcher and

Forbes were the "flunkees" while the responses of the oth-

ers can be read at the Weh site.

gress Track allows citizens to

monitor specifically the activi-

ties of those Republican mem-

hers who signed up to the

"Contract with America" at

Financial data on the candi-

dates is provided by the

National Library on Finance in

Politics, a non-partisan organi-

sation which gets its information from the Federal Election

Committee, to which candidates and PACs (political

"The entire effort is aimed at

providing tools to ensure pub-llc accountability hy elected

officials to those they represent," is how the project defines its mission; and its site

is also a rich resource of related links to other news and

political information - like

Congressional Quarterly's

Campaign Watch hulletins, as

well as a guide to where you

can cast your virtual vote and

take part in online political dis-

esteem hy political insiders, it is the incredible number of

ordinary voters who are using

the service that is the best tes-

timony to its success and

endorsement: "I am a divorced,

unemployed mother of two small children. I think your

project is wonderful and long

overdue. I wish I could contrib-

ute, but I just can't afford to.

"PS. 1 have decided 1 can't afford not to."

To contact Project Vote

Smart if you do not have Inter-

Project Vote Smart, 129 NW

Fourth Street #201, Corvallis, Oregon 97330; or from inside the

US you con coll toll-free on

net access, write to:

One user left the following

Although it is held in high

the 1994 mid-term elections.

Although it is fiercely non-

the last or current cycles.

Project Vote Smart

Lifting the lid on US politics

Stephen McGookin looks at what is called 'a voter's self-defense system'

issues,

ust as governments are increasingly using the Internet to distribute information - either purely factual or with their own particular "spin" - citizens' groups have just as expertly used the technology to let politicians know they do not have everything their own way, and keep

tabs on their performance. One of the most successful is Project Vote Smart, a way of electronically taking the hd off what is happening in the confusing and sometimes downright murky world of US politics. And that is exactly what the graphic on its World Wide Weh home page (www.vote-smart.org) represents, with the slogan: "It's time to look in on the hired help."

Vote Smart, which calls itself "a voter's self-defense system." provides access to a huge array of information on elected officials and candidates for national office and gubernatorial posts all across the US.

The project is the main programme of the Center for National Independence in Poli-tics, housed at the Oregon State University campus in Corvallis, and was set up in

In the course of that election year, it handled more than action committees) must, by 200,000 telephone requests for law, report. information, with 34,000 calls on election day itself.

ote Smart is funded by individual contributions and hy money from various non-partisan foundations such as Carnegie and Ford. Since 1994 - the year it went online - it also has an eastcoast office at Northeastern

University in Boston. its honorary co-founders are two former presidents; Democrat Jimmy Carter and Republican Gerald Ford. Among the founders are former Democratic Presidential candidates Michael Dukakis and George McGovern; as well as current Republican Speaker of the House Newt Gingrich and former GOP Presidential candi-

date Barry Goldwater. Such a mix of unlikely polltical bedfellows serves to emphasise the impartiality of Vote Smart and, like Its nearest equivalent in print, the venerable Almanac of American Polltics, its increasing indispensability.

US Congress members are listed alphabetically and stateby-state. What you get when you call up a Senator is a list of committees on which they sit, a list of their sources of campaign funding, details of thek voting record - arranged

try and, in the same way that any wurthy country had to have its own "flag-carrying" airline, every industrialised country saw itself as a contender in the emerging IT During the 1980s, the end of

In the 1990s, attention has switched from the competitive production of IT products to gaining competitive edge through the use of IT. The recent enthusiasm among politleians across the northern

> based on using IT effectively rather than producing worldbeating products.
> "We've had three ages of IT the first two characterised by hardware and the most recent hy software," says Mr Mark Gladwin of the UK's Central Computers and Telecommunications Agency (CCTA). "The mainframe era was about sharing scarce resources and automating things that we understood. The PC era was about

surrounding the mainframe

with personal computers. Since

growth of microprocessors,

changed this dramatically.

their own chip-manufacturing

capability and concentrated on

hemisphere for the so-called

Information superhighway is

together and the Internet gave and sees current IT developnew forms of IT through the us a way to break out of the hardware, attention has moved to software.

Most countries, for example, "We have gone past the era gave up any pretence at having when the technology was an impediment and we can start areas where they had a historithinking about finding the most cost-effective solutions."

Mr Richard Snook, UK managing director of the French computer giant Groupe Bull, says that politicians' attitude to the use of IT in government are changing: "Apart from strategic necessity, the emphasis is on the use of IT in government administration. Government departments are seeing IT as a way of doing things differently."

Wider access

This, he adds, is partly the result of pressure from citizens who have become more computer-literate - "future populations are not going to be happy about handling government bureaucracy in the way they have in the past. They expect something better now."

Mr Andrew Miller, Lahour MP for Ellesmere Port and Nes-

ments as a challenge both to government and to politicians: For the first time, IT will empower people lower down the structure of government. Civil servants have greater access to information across departments. This challenges the traditional vertical integration of government administra tion where information only meets at the top at the Cahinet

'As citizens who have become more computer-literate, future populations are not going to be happy about handling

lower down the hierarchy." In the UK, the Central Information Technology Unit (CITE) has been set up to look at the possibilities IT offers in this area and, although Mr Miller is unconvinced about its short-term success, he accepts that it is an idea that should be pursued.

level. IT means that discus

sions can be hotter managed

"I don't believe there is the political will at the ministerial level - but I believe it should be developed. It could lead to public services benefits at the local level so that cross-departmental issues can be handled more effectively and more sen-

sitively," he says.

Mr Miller is a director of

tioo of MPs, MEPs and Peers together with corporate members which was set up in 1995 to advance the LK's contribution to pan-European IT activities. One of us key roles is to improve the level of informatioo available to politicians oo IT issues.

"It's about huilding a bridge

the private sector so we are which uses IT to show how able to discuss IT issues against a background of what is really happening. We can then go back and advise our respective parties," explains.

International co-operation on IT issues is also growing as governments recognise that they all face similar problems re-engineering their national IT infrastructures. Early last year, the G7 countries initiated several co-operative projects aimed at pooling IT experience in the context of government. The Government On-line

project, proposed by Canada and sponsored by the EC, is one of the largest. It covers several areas of 1T development, each sponsored G?. EC members and other countries such as Australia. Sweden, Switzerland and Israel.

The aim is to exchange information oo the ways we are doing things in IT. Use of electronic mail for communications within government, online information services so people can see what is going on and interactive information kiosks," explains Mrs Ruth Kerry, co-chair of the project,

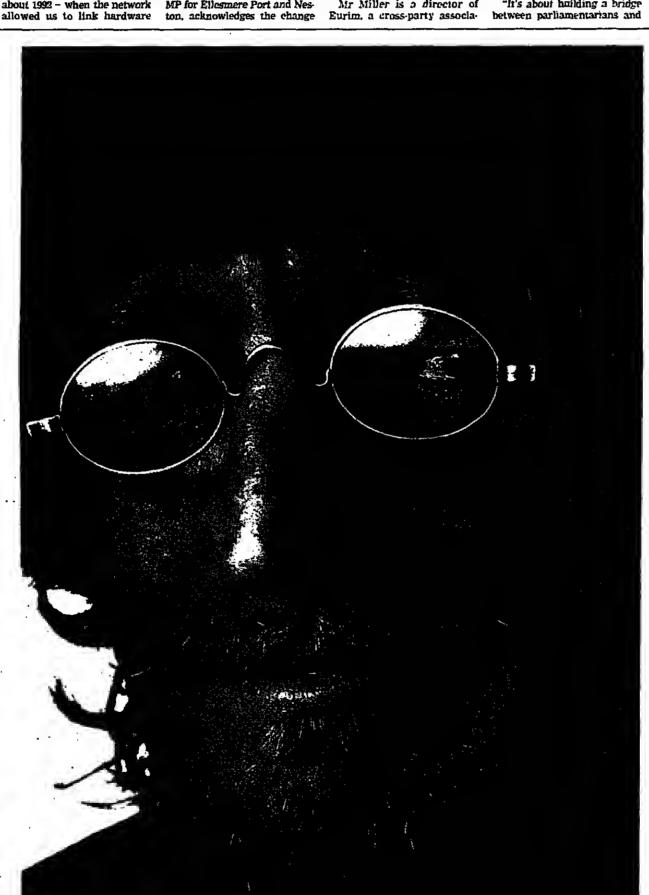
new technology may be used in government administration -"we're using a variety of technologies - such as Adobe Acrobat to exchange documents and Picturetel for video-confer-

Examples also include the use of directory services to set up standard government directories with the X.500 standard which is sponsored by Canada and sharing information across departments, which is being

led by the UK. The US is looking at "one-stop shop" strategies for delivering government information to citizens and Japan is looking at the oo-line provision of licences and permits.

Other projects ioclude online support for democracy (Sweden) and a compendium of government activities in IT

In the long term, the results of these projects will filter through to government admin istration - although they will not he without a political dimension. The vertical structures of government will not give in easily to the new wave of IT. But that is another story.



"I'm going to CeBIT'96 to see how IBM helps plan, manage, and run the Olympic Games. Not that I really need a good reason to leave Siberia in March"

No matter where you come from, there's one place you should visit at CeBIT'96: The IBM stand.

There, you'll find a wide range of innovative products and solutions, from our pen-based ThinkPads to advanced multi-media. You'll also discover the power of Network Centric Computing. And you'll see how the technology IBM developed to plan, manage, and run the Olympic Games can help you plan, manage, and run your business.

It's an excellent reason to leave the house. To find out more, visit our web site: http://www.ibm.com/.



Better public services

Continued from facing page:

with secure access to personal information atored on smartcards, as well as government healthcare databases.

Governments are also beginning to adopt innovative approaches to IT management. In Britain, the Ministry of Defence has forming the first defence information systems agency, the Logistic Information Systems Agency (Lisa). under Brigadier Alan Pollard, chief executive.

Formed ont of the army's logiștic IT directorate, Lisa intends to sign partnership agreements with commercial companies to look for new business in other defence and

government departments. which sides of the Atlantic, ments and public sector have also discovered Anternet can be a powerful to for satisfying their oomminent to open government and disseminating the vast stres of information

They are also actively exploiting the potential of elecronic commerce, for example forough EDI ordering systems and the broader use of electronic mail. In Brussels, for example, Logica, the UK-based computer services group, Is helping advisory committees and working groups improve their e-mail communications via the Interchange of Data between Administrations (Ida) programme, which aims to build a trans-European public administration network.

More generally, as the CCTA says in its latest annual report, "the development of new applications for IT, especially information superhighways, promises a revolution in public services over the next ten years. Services should become easier to use, quicker and better targeted".

But the Agency also adds: "Possibly the greatest challenge will be managing information so that It can be used in sensible ways. The mechanisms to achieve this must be huilt into plans for [government | IT . . the superhighway is not here yet, hut existing technology can do much to improve services - the challenge is to use it in a way which belps and empowers the

By Tom Foremski in Forestville, California

IT in government

US Internal Revenue Service Big IT modernisation plan runs into fierce criticism

Outdated systems in the US lead to billions of dollars being lost in in uncollected taxes

he US Internal Revenue Service (IRS) is undergoing what is the largest civilian computer modernisation programme in bistory. Starting in the late 1980s, the agency expects to spend as much as \$23bn on new IT systems by the year 2008.

But like all complex projects of this kind, the Tax Systems Modernisation (TSM) project has run into big obstacles and problems, including strong criticism from the US General Accounting Office (GAO) that it suffers from numerous technical and management problems and that taxpayers' money is being wasted.

The IRS currently relies on an antiquated computer system in processing about a billion paper documents and over 204m tax returns a year. It mostly uses mainframe computers from the 1960 era and a tax processing procedure that has changed little over the past 30 years. The IRS estimates tbat its lack of modern IT systems is partly responsible for its failure to collect about \$114bn in taxes each year.

The agency says it needs new IT systems to help it process a vast amount of paper documents and gain ready access to the information on those documents. For example, it can take as long as six months to find paper-based tax

Politicians are

the 'Net to

increasingly using

communicate with

ine miaow of Socks, the

White House cat, may

not he very different

this sound has, however, been tus of pending Bills and the

Register.

from that of other felines. Fea-

tured as one of the attractions

on the White House "home

page" on the World Wide Web.

transmitted to computer users

all over the globe and helped to

draw attention to growing US

government use of the Inter-

White House or searching

through the Congressional

Record in the Library of Con-

gress's Thomas database, Inter-

net-users now have access to

vast amounts of US govern-

ment information, much of it

increasingly using the internet

to communicate with potential

voters and the new medium is

expected to play a significant

role in this year's presidential

For husiness users the Inter-

net offers a convenient and

quick method of accessing US

government data that might

otherwise take weeks to obtain

through conventional library

sources. However, the huge

quantities of data at US gov-

ernment sites create a chal-

lenge for anyone attempting to

find answers to specific ques-

A good starting point for

Internet users exploring US

government resources is Fed-

World, one of the most compre-

bensive US government Inter-

net sites (http://www.

Maintained by the National

US politicians are also

Whether visiting the virtual

potential voters



The US Congress threatens further cuts in the Tax Systems Modernisation project, although outdated and inefficient IT systems result in billions of dollars in taxes remaining uncollected each year

claims for tax refunds,

\$3 in tax revenue, the IRS has

nevertheless bad to continu-

ally battle cuts - and threat-

ened cuts - in the TSM project

by the US Congress. This is

mainly due to the watchful eye of the GAO which says that

the IRS does not have a good

husiness plan for upgrading its

computers and that its goals

are uot well-defined or well-ad-

ministered, "IRS does not have

areas as well as US regions.

The Census site also offers

additional information in the

which are concise analyses of

social or economic trends such

as the growth of the elderly

Office's home page (http://

www.nccess.gpo.gov/) is: simi-

larly a goldmine of valuable

information for husinesses, and

The White House has its own page

Those looking for a quick

route to ricbes might do better.

however, to check out the Fed-

eral Bureau of Investigation's

'Ten Most Wanted' list, com-

plete with photographs, on its

WWW pages (http://www.fbi.gov/toplist/html).
And for those obliged to give

Uncle Sam his share, the toter-

nal Revenue Service has a

WWW site with tax forms and

answers to frequently asked

questions (http://www.us-

treasury/bur-

on the World Wide Web

is updated daily.

trcas.gov/

The US Government Printing

population of the US.

form of "statistical hriefs,"

information. The IRS has already spent

\$2.5bn on new computer systems, and it says its invest ments have already yielded valuable results. It has: F Extended electronic filing of tax returns for individuals

□ Improved access to tax records by installing thousands of new terminals

☐ Brought in new optical

A key role likely in US

(NTIS), an agency of the US and metropolitan statistical

image document processing ☐ Managed to recover hil-

lions of dollars in taxes through the use of its new

presidential election

Department of Commerce. Fed-

world is packed with informa-

tion and links to other US gov-

ernment as well as offering

search facilities. Thomas (http://

(thomas.loc.gov), provided by

the Library of Congress, is the

source for information about

US legislation and Congresslo-

nal debate. As well as provid-

ing the text of all legislation

passed by the 104th Congress.

It includes updates on the sta-

full text of the Congressional

The American Memory Proj-

ect, another Library of Con-

gress effort, provides Internet

access to more than \$0,000 digi-

tai images, manuscripts,

motion pictures and sound

recordings. It can be reached

via the Library's home page

The Weh Interactive Net-

work of Government Services

(Wings) program, managed by

the US Postal Service, aims to

make it possible for individuals

to conduct personal business

with the government electroni-

cally. Whether it be filing taxes

or registering for a driver's

Users will access Wings from

their own PCs or from public

kiosks. A prototype system, linking 1,500 US government

WWW sites is scheduled to

The Federal Web Locator

(http://www.vill.edu/Fed-

Agencul feducebloc.html) is a

search tool that can be used to

find information from various

federal agencles. Another pop-

ular US government site on the

World Wide Web is the Census

Bureau - (http://www.cen-

sus.gor) which provides a huge

database of demographic and

economic statistics for the US.

Users can search for popula-

tion, housing and economic

begin testing in early 1996.

(http://tvicw.loc.gov)

liceuse, or to vote.

management, software development and technical infrastructures necessary to successfully implement an zation effort like TSM," stated a GAO report released late last The GAO has placed TSM on

a comprebensive business

strategy to cost-effectively

it has not yet fully developed

and put in place the requisite

its list of high-risk government IT projects which means that it will be under close scrotiny over the next few years to make sure it is on track and fulfils its obligations. The TSM project is complex.

It consists of at least 50 modernisation projects which

☐ The \$1.3bn Document Processing Systems project, which aims to convert all IRS tax forms toto electronic images that can be more easily distributed to all IRS tax offices. This project is scheduled to be competed in the year 2000.

☐ The Corporate Systems Modernization/Mirror Image □ Reduced fraudulent Acquisition is focused on repla-Despite the fact that for cing older mainframes at key processing centres and is valevery \$1 it receives in governmeot funding, it can produce ued at \$88m.

☐ The Treasury Multi-user Acquisition Contract is a \$1.4bn project to make it easier to request tax information from IRS staff.

☐ The \$500m Integration Support Contract is a ten-year project that will ensure that all information systems elements of TSM will work together. However, the GAO has already identified three large pro-

Critics charge that the US

government has not moved

quickly enough to establish

toternet sites to disseminate information. However, it is

clearly moving faster than

most other national govern-

ments to demonstrate the

advantages of electronic pub-

In the political arena, WWW

sites provide every flavour of

opinion as well as basic voter information. The official "Boh

Dole for President" site (http://

www.dole96.comi), for example,

offers hiographical information

and will track the Republican

senator's progress through

state primary elections and

Phil Gramm, another Repub-

lican hopeful, provides video

and sound clips on his election

campaign on Internet site

(http://www.gramm96/org) as if

to prove that he is in the fore-

Politics USA, a joint effort of

American Political Network

provides links to all of the can-

didstes WWW sites as well as

established sites on the Inter-

majority party in cyberspace.

For those who distrust all

politicians, the Skeleton Closet, a WWW site dedicated

to publishing "dirt, attitude

and opinionated character

reviews of all the presidential

candidates" (http://www.real-

Some of the best jokes about

the presidential election cam-

paign can be found at the head-

quarters of Scampaign '96

(http://www.comedyu-

change.org/) is not to ha

front of new technology.

news updates.

regional caucuses.

By Louise Kehoe in San Francisco, California

grammes that are "incompan-hle" with the overall TSM proj-

Electronic filing is a key part of TSM and its goal is to process 80m tax returns electronically by 2000. However, this programme has run into problems and the rate of electronic filing is falling. This is partly due to longer processing of tax refunds because the IRS discovered that more than 40 per cent of frandulent tax returns asking for a tax refund were filed electronically. In response It has stepped up scrutiny of electronically filed tax returns and delayed refunds.

While the IRS bas admitted that some parts of the TSM project have run into prob-

lems, it points to significant progress that has been made. Electronic filing, for axample, continues to grow, cutting the amount of paper documents the agency bandles and also belps to reduce the almost 15m

maths errors normally found

The IRS bas also made it easier to file simple tax returns through its TeleFile programme which allows individuals to use a touch-tone phone to file a simple return. And new programs for corpo-

rations, such as the Taxlink program, allows employers to deposit payroll taxes electronically and is growing in popularity as companies realise the paperwork processing cost-

The IRS also offers the Fed-World on-line information service which gives access to tax forms and information on tax regulations to anyone with a personal computer and a

modem.

The agency's Automatic Under-Reporting system is helping to recover new tax revenues by automatically matcbing financial information from financial institutions and employers, to individual tax returns. This catches individuals who are under-reporting tocome and is expected to save \$160m over the next saven

A chief goal of TSM is to make it easier for individuals

to file tax returns. The IRS says that it only has about 83 per cent compliance among people who are required to file tax returns and the agency believes if it can simplify the tax-filing process, it will have much better rates of compli

The ideal scenario is to allow the IRS to quickly assemble all relevant tax data for the taxpayer. But to do that, it would need access to financial records held by banks, credit card companies, employers and savings institutions. But to attain this goal, the agency would have to battle criticism of "Big Brother" ambitions, in addition to the criticisms it

■ Procurement credit cards

Plastic route to big savings

US government leads the way in cutting the cost of procurement

he US government has pioneered the use of cradit cards issued to staff members to purchase supplies and dramatically cut the cost of procurement - a lead that US corporations are rapldly following.

Known as procurement cards, these are credit cards issued to staff memhers hy American Express, Mastercard and Visa. These enable staff to purchase low-cost supplies directly and bypass most of the normal procurement paper-

In most organisations, if an office manager, for example, needs to order more floppy disks, a requisition form is filled out, it goes for approval, then is handed to the purchas ing department. A supplier is selected, a purchasing order (PO) is filled out and despatched.

Later as the goods are received, a receive notice is sent to accounts to match the PO and involce, and a cheque is issued. Then accounts tracks the cheque to make sure payment cleared.

This common procedure can cost anywhere from \$50 to \$300 per purchase request, which is high overhead for an item that might cost only \$20. It also extends the procurement time to about three weeks on average. The advantage of procurement cards is that much of the paperwork can he eliminated and thus save US government agencies substantial amounts

in document processing. The US government's use of procurement cards began in 1989 with the US General Services Administration (GSA) granting a contract to First Bank System to issue special Visa cards to government employees for making small

The government staff were issued an Impac (International Merchant Purchase Authorization Card) Visa card. Under the first part of the five-year programme, 65,000 government employees were issued with the card. When the programme was renewed in early 1994, there were plans to add an additional 75,000 staff who are

authorised to use the card. "The Impac program has been very popular," says Colleen Lindow, director of corporate cards and purchasing at Visa. The success of the federal programme has drawn interest from state govern-

Comparisons

Unlike the private sector. where procurement cards are limited to purchases of typically under \$250, the US government defines a "small item" purchase as \$25,000 or less. However, not all suppliers are set up to take credit card orders, especially since they have to pay a transaction fee to the credit card company.

"It has been a challenge recruiting suppliers," says Lindow. "But they quickly realise that it can hring them new husiness and also they get paid much more quickly.

"When you say to a supplier: 'We will pay you in three days - and take all the risks', they quickly see that It's better than waiting 30 days or more for

payment."

While procurement cards are used like regular credit cards. they are restricted in what kinds of products and services can be charged against them. Visa employs a four-digit merchant category code based on similar codes used by the US government in classifying suppilers. Each card is restricted to certain types of merchants.

'You can't, for example, use the cards to charge for hotel or restaurant expenses. And you can't hook an airline ticket with them," explains Lindow. Each government Impac Visa card is programmed with the spending limits and approved merchant categories that each

individual is authorised to handle. Currently, their use is limited to maintenance, repair and routine operating purchases. hut there are plans to extend their use. The US government says it is

saving money, although it has not released details on how much it saves per purchasing transaction - "the government could save more money if It wasn't for the enormous amount of rules and regulations that It has surrounding the use of procurement cards, says Steve Kopp, a consultant on procurement card use at Gunn Partners. One of the disadvantages of

procurement cards is that companies are often not able to collect as much data on the purchase as they normally receive through a normal PO cycle. All the credit card companies are striving to improve data capture and a key element is capture of sales tax data, or in the case of the government agencies, making sure that they don't get charged for sales

"Data capture is a big issue,"

not only have to supply merchants with special terminals but it also means that the merchant has to key-in additional data rather than simply record your credit card number.

"For some merchants with low-paid staff, there isn't much of an incentive for them to key in that data and you might not be able to trust that data."

Many merchants are now beginning to view acceptance of procurement cards and the additional data capture requirements as a competitive opportunity in doing husiness with the government or corpo-

Ropp points out that the use of procurement cards is not "a one-way street - the suppliers benefit, too".

Less paperwork

Suppliers can eliminate a lot paperwork at their end, if they decide to accept procure-ment cards - "this can, make up for the installation of extra equipment and staff training. Plus, they get their money a lot quicker," says Kopp.

Much of the data capture problem can be improved through better software and links between computer systems that can send data hetween suppliers, banks and government agencies.

The credit card companies henefit from procurement cards in that they can sign up new customers both at the user end and among suppliers. US government's use of cocurement cards is also helping to lead the way in the private sector where procurement card use is rapidly expanding and

saving millions of dollars in

■ Boost for US IT companies

By Geoffrey Wheelwright

the National Journal and the Government and industry co-operate in advanced PC hard disk

About 30 US senators and more than 40 members of the development House of Representatives have s a joint project of indusnet. Democrats claim to be the despite their minority role in

try and government. work is under way in the US on the development of a credit card-sized hard disk so fast, so light and so low-powered that it will provide one gigabyte of storage (about the same capacity as the bard disks in today's deaktop systems) that can be used inside a hand-held personal computer.

The work is being led by the California-hased -hard dlsk drive-maker Micropolis in a joint development with several other technology companies and partially funded by the US government. According to the

project leader at Micropolis, Mr Erlc Dunstan, the \$20m research programme is being 50 per cent funded by the US Advanced Research Project Agency (ARPA) under its Technology Re-investment Program (TRP) as an attempt by the Clinton administration to boost the fortunes of US technology

"Data storage was considered a strategic area for the administration." explains Dunstan. "The basis of this is the creation of dual-use product the investment will cause two things: it will sponsor commerclal developments and also make more cost-effective and more immediately-available defence projects.
"What is different about this

is that they've decided to support only 50 per cent of the cost. The first impact is that this industry is having to put some of its own money in - so

we will develop projects we were going to develop anyway. hut bring them forward. This is baing used to accelerate state-of-the-art products by about two years. "What the goverument

wants as an end-result is a disk drive. to pursuit of that, we will have to develop components for this on a fast track."

artners wbo will work with Micropolis on the component development for this project include leading bard disk controller makers Adaptec, electronics designers Silicon Systems and CalTech at UCLA. The drive will be used in palmtop computers (generally known as personal digital assistants - or PDAs) and wbat Dunstan calls "tactical digital assistants".

He says they will be used in the tactical area to store large and detailed computerised

play on the PDA - even to the point of using a "head-up dis play" (or HUD, used in aircraft to present flight instrument data in front of pilots in a way that allows them to simultaneously look directly ahead out

of the cockpit). This HUD would project an map image taken from the PDA's hard disk to superimpose on the real landscape and could be linked to a global positioning system (or GPS) to accurately pinpoint the location of the user before pulling up map data. Another important aspect of the project was that a government condition for the funding included a commitment by Micropolis to ommercialise this product prod-ucing a "technology "technology demonstration" within two years and a shipping product

Continued on facing page

PCMCIA Modem



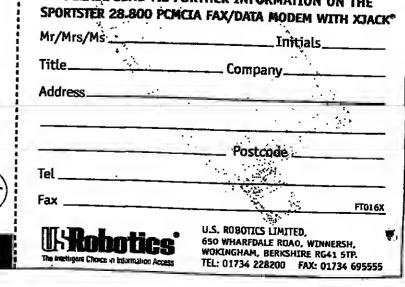
in a modem the size of a credit card. In or out of the office, you can connect at top speed to the Internet, access your e-mail or send and

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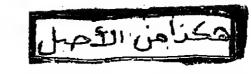
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Transition to resource accounting

Move to on-line on-time systems

Commercial software packages are assisting with a massive change in central government accounting

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n the higgest change in government accounting since William Ewart Gladstone - the 19th century British statesman - introduced the current system in 1866, central government is in the process of adopting UK generally accepted accounting practice.

Described by the Chancellor of the Exchequer Kenneth Clarke as "a major milestone in modernising the state," the implementation of commercial accounting packages is playing a key role increasing public sector efficiency.

Central government will introduce resource accounting in most departments by April 1, 1997 and in all departments by April 1, 1998, with resource budgeting following by the year 2000. Resource accounting involves normal accounting procedures, including recording fixed assets and eccruals. The concepts of resource accounting have already been proven in the executive agen-cies, which have implemented standard accounting packages to menage themselves on a commercial basis.

Most government departments are using old legacy mainframe systems which were designed specifically for cash eccounting, as laid down in the Exchequer and Audit Departments Act of 1866.

Each department is making its own decision on the software needed to implement resource accounting and many are choosing to implement a commercial package. These are proving to be ideally suited for all the departments' new

The main problem lies in tha need to continue to report to Parliament on a cash basie until the full implementation cycle is complete. Commercial packages can produce the summary level cash figures which the Treasury needs to retain control through Public Sector Borrowing Requirement target, but they do not all cope with detailed reporting on the existing cash basis.

The problem lies with the way most accounting software is written, with cash details retained in a separate purchase ledger from cost details in the

reports on a cash basis need to report on information split between the two ledgers.

Oracla, which is strong in central government accounting systems, is one of a number of vendors who have been able to build additional "cash vota" modules which can generate the necessary additional cash reports from the two ledgers.

Cash-based reporting ts much simpler for those accounting vendors who have written their software to utilise a single combined ledger. This unified ledger Identifies each individual account as either being either nominal, revenue or purchase and is far more flexible for many accounting requirements. Systems Union, the market leader in executive agency accounting systems, operates a combined ledger, as do Coda, SquareSum and oth-

Progress so far is encouraging - "this is one of the most significant changes in the process of government this century," says Mr John Garnett. director of resource management strategy at the Ministry of Agriculture, Fisheries and Food. "We bave successfully implemented Oracle Financials, modified to accommodate

nominal ledger. Datailed dual cash and accrual reporting, and are well on the way to delivery of resource based rent systems." accounting and budgeting

within the timetable." Introduction of new accounting systems have not posed any additional problems so far. despite the number and scale of projects undertaken. "Wa had the usual problems

of hardware and software not being as compalible as we were led to helieve," says Mr lan Eirick, bead of accounting services at the Department of the Environment, who are using software daveloped for the Australian government, "Most of the vendors stretched the truth a bit in their responses."

nother problem erises from the depertments' lack of knowledge of commercial software - "the sarly tenders we received clearly abowed which system was currently being used," says Mr Laurie Mascott, director of the government division at Systems Union.

"Departments were trying to specify their current system with the addition of accrual accounting. They now have a better understanding of what commercial software can offer and are being less restrictive in

their requirements it would be rately, which effectively means a mistake to replicate the cur-

"Some departments are taking the opportunity to overhaul their internal systems as part of the exercise," says Mr Richard Knight, of the Treasury's resource accounting and budgeting team. "They are able to draw on the example and experience of the Executive

Agencies." Resource accounting will require departments to identify and value assets so that they can be capitalised and depreciated by the new systems, reflecting their economic significance - "this process has been considerably eased by existing initiatives to identify assets," explains Mr Knight.

Separate from the accounts. the White Paper requires a meaningful analysis of output and performance from each decartment and a report on the achievement of its objectives. The focus on outputs suggests that activity-based costing may be involved, which may require the use of one of the existing specialist ABC software packages.

"Resource accounting is secrual accounting with objectives," says Mr Mascott, "Outputs are to be reported sepa-

the introduction of activitybased costing."

mated."

However, the main challenge has been generating accep tance of the new ways of workinvolve. Civil service users have been trained in the Gladstonian way of thinking and have to adopt new philosophies new systems.

the IT is fundamentally diffi-cult, if managed properly," says Mr Garnett.

"The real problems lie in changing the culture. The chancellor has described us as measuring our performance by the rate at which we burn £10 notes. The new performance measures are intended to represent our equivalent of 'profit' in the private sector and to demonstrate that we are delivering value for money," adds Mr Garnett.

"The challenge is to combine an effective management cul-ture with the existing intellectual culture of the Civil Service. Activity Based Costing is

By Rod Newing

The problems this may cause are hinted at in the White Paper, which says that "tha difficulties are not under-esti-

ing which these new systems and ways of working with their

"Neither the accounting nor

Cultural changes are assisted by better management reporting and "access to information through drill-down," says Mr Elrick. "People can now run their departments from their desks. On-line on-time is the main driver that commercial accounting systems can offer to the process of cultural change and we are moving forward very rapidly."

"This is an exciting development for central government," says Andrew Likierman, head of the Government Accounting Service. The challenge for the

ounting in 1866, it is still in use today one of several tools we will IT industry will be to help those involved to understand and use the new information

nan and four times

William Ewart Gladstone (1809-98), British states:

prime minister: he introduced a system for central government

systems." Whereas resource accounting is being implemented within the Civil Service, legislation is still required to implement it for reporting to Parliament. When they have approved it, commercial accounting systems will bave played a leading role in modernising central government.

Rod Newing, MBA FCA FinstD, is a specialist writer on executive computing (c-mail: rnewing @cix.compulink.co.uk).



Faster ways to exchange data in government

Cost-saving project helps 585 local authorities to interpret hundreds of directives on fair trading

ocal and central government bodies in the UK are cutting administration costs by up to 80 per cent by using electronic data interchange (EDI) in a unique way to exchange information on trading standards, consumer protection and law enforcement.

Tha project, winner of the 1995 British Telecom Award for Innovation in Electronic Commerce, was set up after a gov-ernment study identified huge volumes of information which was being printed by computer systems; sent to other organisations and then keyed into their systems.

The Local Authority Co-ordinating Body on Food and Trading Standards (Lacots), which oversees the project, bas now developed standard EDI messages so that the information can be transmitted in set formats and extracted automatically by computer systems at the receiving-end for analy-

sis. Lacots helps tha 585 local authorities to interpret the 70 Acts of Parliament and 200 European Union directives on fair trading to ensure consistency across the country.

It sends a fortnightly circular on recent decisions to enforcement officers and produces an annual indax of advice given in different areas. It also operates a database of

the 50,000-plus convictions each year relating to beavy lorries, typically involving overloading. This is accessed by local authorities and other bod-

/ Masses of information also lasses between local anthori-ties, the Ministry of Agriculture Fisheries and Food, the Office and Fair Trading and other central departments.

"Local authorities handle a million consumer complaints a year and have to send details to the Office of Fair Trading." says Lacots chief executive Jim Humble. "They have to send statistics on food inspections to the Ministry of Agriculture: this is a horrendous document running to 14 pages, with more than 200 boxes to complete on each page."

Previously such data was compiled by each local authortty, then printed and sent to the central government depart-ment, where it was keyed in to another system for atorage, analysis and consolidation. thus raising the risk of buman error.

. Tha Lacots project team found that much of the information in such reports was standard and could ba arranged in messages following the international Editact standard message structure for-EDL

A pilot project linking 12 local authorities. Lacots, 1 Ministry of Agriculture and the Office of Fair Trading and involving EDI software specialist Kewill-Xetal and British Telecom's data network last year proved so successful that it is being extended to 130 trading standard authorities by next month.

An experimental link has also been set up with local authorities in France, and the European Commission is showing interest as a body which gathers consolidated data from European Union members. This rapid growth follows

average savings of 76 per cent. These savings range from 60 per cent on the reporting of food inspections and testing to 80 per cent on exchanges of information with the road traffic convictions database. In some cases error rates

have been cut from 70 per cent to zero. The savings are mostly in staff costs - hut the project has also brought important increases in reporting speed. "If a hazard is discovered in

a food or other item, Lacots or tha department of Health notifies local authorities, perhaps by letter," Mr Humble says. "A standard EDI message speeds up that process considerably. "In addition, if a local

authority stops a lorry on auspicion of being overloaded, it needs fast access to the convictions register: agein, EDI extracts the relevant information and gets it back quickly." The enthusiastic response to

the system by local authorities and central govarnment departments is leading to expansion in other directions. The pilot involved the development of eight EDI messages and 30 more have since been identified, plus nine electronic mail applications.

John Kavanagh

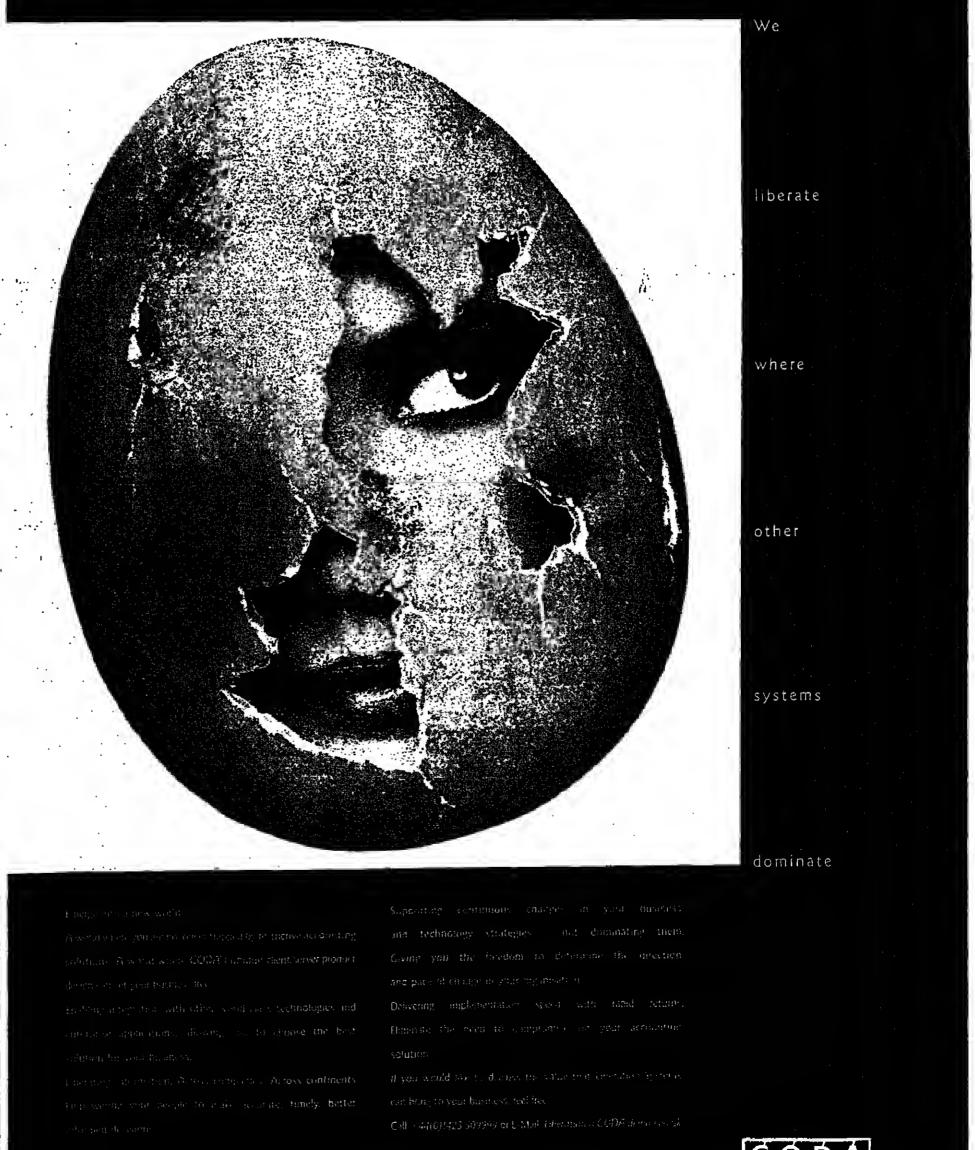
Advances in data storage

Continued from previous page

within five years from last year's February start date. The project is well-conceived and can have significant impact on the industry as a whole," predicts Dunstan. "The Sovernment have been some-What enlightened in tackling

the problem this way." The drive will be compatible with the current PC Card standard for credit card-sized notebook and palmtop computer edd-ons and will have to offer a high level of ruggedness and be able to operate in both hot and sub-zero weather condi-

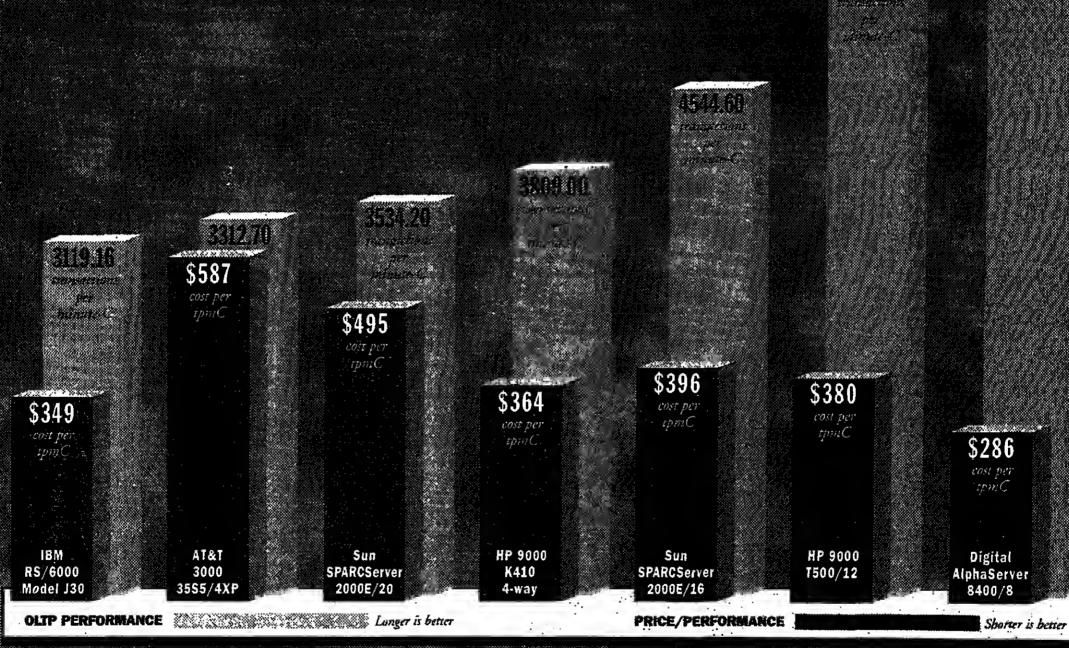
tions. Dunstan explains that although many observers see tha existence of "healthy competition" in the technology sector as a strong driving factor in boosting research, it is not always the case - "in developing PC hard disk drives, you start with price and work backwards: that being the case, the battle you have to fight is making enough profit to be able to help push the technology forward," he says. Once, most companies followed a few large technology leaders, "but now individual companies have to promote new technologies out of their own pockets."



Liberation Systems for Enterprise Accounting

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THEY ALLSAY ITSTHE FAIREST IN THE BUSINESS.



SOUTHOARE Never before has so level a playing field seen such a lopsided result. In the latest TPC-C' benchmarks (established by the industry for fair and realistic comparisons), the Digital AlphaServer 8400 system outperformed all other UNIX's servers by margins from 104% to 267%. It outprice/performed them all, too. But

why such a spec-shattering blowout? For the simple reason that Digital has 64-bit technology. And they don't.

Running Oracle7 with 64-bit option, the AlphaServer system burned through the industry's toughest test, the

digital

one that replicates the complexity of a multisite business where everything happens at once.

Perhaps you work at a place like that. And wouldn't mind clobbering your competition, too. Help

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هكنامن الأحيل

in government

US Air Force contract

LARY-IN

Record \$1bn deal for 300,000 PCs

Personal computer suppliers will bend to the most

demanding terms from buyers if the long-term deal is big enough The benefits of bulk pur-

chasing are obvious to any husiness. In the realm of information technology, large price tags for single contracts are usually associated with big systems that endusers will never see.

The US government has never acknowledged such limitations, Since 1983, when Desktop I was awarded it has placed a series of enormous contracts for personal computers. The latest in this line is Desktop IV, a \$1b deal covering more than 300,000 PCs.

With an order of this magnitude, Washington acquired substantial clout with equippent suppliers. The way the US government went about organising Desktop IV illustrates how an aggressive and uncompromising stance can pay off for the customer.

The entire Desktop IV pro-curement has been driven and managed by the US Air Force. But the USAF is not the sole customer - the contract covers PCs and associated peripherals for all other branches of the military, plus a segment, around 10 per cent, for use by the civil government.

Large savings

Appointing the technically experienced USAF to handle the contract immediately delivered savings in time and eliminated pointless duplication of government tendering.

The initial order for 300,000 PCs, worth \$742m, was placed with Zenith Data Systems, the PC arm of the French IT manufacturer and systems house,

Bull. Government Technology Services also won the right to supply systems under Desktop IV. maintaining an element of competition after the deal was awarded.

A further 100,000 PCs were added to the order in 1995, propell)g its overall value into the \$1bn league. ZDS supplies 70 per cent of Desktop IV systems, but that proportion is not guaranteed. The USAF can choose to place more orders with the Virginia-based systems integrator GTSL

For Tom Buchsbaum, ZDS executive vice president for government and education, the prestigious Desktop IV order presented a big challenge. ZDS was one of 23 companies tendering. The USAF expected the

Mapping the oceans

or object. In many cases, it

could eliminate the need for

costly, bespoke databases to

Oracle estimates the busi-

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Oceans) in withing with Ora-

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CHS (under the

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termology, drew praise from to efficiently store and access

world," he says.

director general of the Cana-

dian Hydrographic Service.

Now we can take full advan-

tage of RDBMS technology

benefits, such as guaranteed

data integrity, with the ability

meet this need.

goods se

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11:00

winning contractor to deliver 20,000 units two months from the first order - "we had to be ready to deliver on a dime," Buchsbaum recalls.

ZDS geared up for the order, and added more disk space than the USAF had requested. The thinking was that under the dual-award system, ZDS had to exceed the user's requirements. This set a trend, with ZDS quickly moving to machines based on 486 computer chips, despite a paper specification that only stipulated 386 chips. Pentium chips followed shortly.

The Idea of using the military to sort out civil computer contracts is a fairly recent development, but it has kept a budget-conscious Congress

The civil element of Desktop IV has risen to 20 per cent. Buchsbaum acknowledges that this procedure works in the taxpaver's favour - "the pricing is very low for the contractor, while the value is high for

ZDS has passed the pres-sures of Desktop IV on to its own suppliers. They have to hit certain price points and must accept the risk that future contracts could be awarded outside of ZDS, leaving a hole in their production run. The reward for working inside this regime is commen surate with the risks. ZDS' subcontractors win the opportunity to participate in a very large piece of business.

A unique level of service is another gain from the scale of Desktop TV - "if a computer breaks down anywhere in the globe, we respond. You get that kind of support with that size of contract," says Buchs-

ZDS is currently putting together a service plan for US forces deployed in the former

The company has now won the right to supply PCs under three of the four Desktop coutracts. It was left out of Desktop III. Buchsbaum admits that after gearing up to co-ordinate suppliers and deliver a largescale contract a defeat can be galling - "we've experienced how painful that is."

That fact that ZDS bounced back after Desktop III underlines the fact that computer suppliers will bend to the most onerous terms if the long-term deal is big enough.

Buchsbaum may not feel so, but the USAF was probably right to exclude ZDS from one stage of this formidable deal. The US government is clearly not prepared to let even the most experienced IT contractors take anything for granted.



warters at Abbey Wood, north Bristol

Dawn of a new era at Abbey Wood

When the first of more than 4,400 staff in the UK's Ministry of Defence Procurement Executive moved from offices in London, Bath and the south coast to their £254m headquarters near Bristoi, just before Christmas, their new IT and communications system was already fully opera-

The move to the 98-acre site at Abbey Wood is believed to be the largest-ever relocation undertaken by a lik govern-ment department. The move aims to save £100m a year by reducing manpower and oper-ational costs. More than 4,400 staff will have transferred to the site from 15 other locations in the UK by the end of

"It's rare to have an IT and communications system fully operational at the start of the occupation of a large building complex, but we've succeeded from day one," says Mr Bob

Quick, head of IT infrastructure on the site.

Major Philip Kershaw-Naylor, project manager of DAWN - which stands for 'Delivering the Abbey Wood Network' says that the system can technically support up to 5,000 computer terminals. It is based on Unisys workstations. using the Microsoft Windows

NT operating system. EDS, the IT solutions group. won the contract to provide the Microsoft Office system. Digital Equipment Corpora-tion are the IT system integraturs, providing Microsoft Exchange software with e-mail and scheduling facilities - all part of the "technology refreshment programme" at Ahbey Wood, the largest single-site office complex in northern Europe.

The Procurement Executive buys £7bn worth of equipment and spares for the armed services each year - items rang-



Dr Malcoim Mointosh, chief of def **DAWN** terminal at Abbey Wood

ing from submarines and fighter aircraft to radios and field kitchens. More than 5.000 contracts are placed each year, with 10,000 active at any one time.

The IT installation at Abbey Wood provides "the most cost-effective system, using commercial off-the-shelf prodncts while meeting all the Ministry of Defence require-ments," says Mr Quick.

In advance of the first move to Abbey Wand, 2,000 MoD staff around the UK were given "a glimmer of the DAWN project" at 1T presentations around the UK.

Four video-conference suites are being installed, with facilities to connect them to other Ministry of Defence sites.

Michael Wiltshire

By Michael Dempsey

Weather and oceanographic forecasting system

Improved access to crucial data Royal Navy's support and manpower. The latter resource is under advanced intense pressure in the Royal Navy, which has seen signifimeteorological system brings

benefits The London suburb of Northwood is bome to a heavily-guarded bunker that houses the operational headquarters of the Royal Navy. From April, a new combined services command will be based there, running overseas deployments such as the

British force in Bosnia. Northwood is also a hub for maritime weather forecasts, housing the Fleet Weather and Oceanographic Centre, known with the military affection for unlovely acronyms as FWOC.

big operational

FWOC relies on raw data from the UK Meteorological Office. But until very recently this information was processed on the Fleet Met Computer; a system based around assorted technologies up to 20 years old.

A purpose-built suite of soft-

ware called Ocidas processed oceanographic data. This material is critical to a modern navy. Surface vessels and sub-marines find their targets by sonar and a variety of other sensors. Water temperature at different depths effects the performance of these systems and can dictate the capabilities of naval weapons.

Pressures On top of these two sources,

FWOC also operates remote sensing equipment, based on satellites. Unfortunately, these three sources of data were unable to communicate with each other electronically and Michael Dempsey were demanding in terms of technical areas Data Sciences

By Geoffrey Wheelwright

cant cutbacks in recent years. FWOC needed a total overhaul, but the result had to be accommodated within a tight defence budget in an era of increasing scrutiny of military spending.

The Navy's answer was to update FWOC using an outside supplier on a fixed-price con-tract. The US outsourcing giant, EDS, found itself shortlisted opposite UK systems house Data Sciences.

Lt Cmdr Gary Howells, a Navy oceanographer and computer systems manager, recalls the final selection process: "We produced a marking scheme, ticking off points that mattered to us. But cost was also very important. If you choose the more expensive contractor in these circumstances, you've got to have a good reason for

Data Sciences undercut EDS on price and was awarded the £2.4m contract. Both shortlisted candidates had employed former naval officers to advise on their bids. In the case of Data Sciences, an Aberdeenbased consultancy, Ocean Routes, was called in. This company supplies weather information to commercial clients - getting to grips with the world of naval meteorology was essential if Data Sciences was going to deliver a working solution within budget. Paul Venn, a new business manager at Data Sciences, recalls how he kept in touch with the users' perspective - "we understood their domain. We arranged detailed technical

workshops that allowed the users to air their views". Mr Venn admits that in some

HMS Sheffield - one of the Royal Navy's warships which benefit from the

was out of its depth - "some communications problems were beyond the scope of our participation. These were han-

dled by the Ministry of Defence itself." With 35 per cent of its £120m

turnover generated by Defence

Ministry business, Data Sciences could be expected to know this client well. But Mr Venn believes that the secret to his company's popularity in defence circles lies in "knowing its own limitations...you have to focus on particular areas, rather than spreading your abilities too thinly. We are probably the UK

experts in datalinks and we do understand secure communications very well,"

Data Sciences succeeded in transporting Ocidas on to Hewlett-Packard workstations and tied to the Horace meteorological software package - "to be able to use data from both systems together is no mean feat," Mr Venn says. "It's a big and complex system."
The challenge was to keep

costs down by using standard commercial bardware and some off-the-shelf software while integrating two very different large programs, tai-lor-made for the UK government, Horace and Ocidas. "Lt Cmdr Howells notes that

the Navy had originally planned to hedge its bets, running the old FWOC system in parallel with the new arrange-ment for several months. This insurance would keep vital data flowing in case the Data Sciences solution slipped up.

The new FWOC went live on December 23 1995; this date itself indicates confidence in the system, Howells says "the inauguration didn't ruin anyone's Christmas, and with the imminent arrival of the joint services HQ at Northwood, it was decided to accelerate the implementation. We decided to go for a Big Bang approach. We only kept the old hardware running for two or three weeks. We had enough belief that it was going to happen."

The former FWOC equipment has now followed the fate of discarded warships and is being broken up for scrap. The Royal Navy has improved access to weather data from interlinked sources, and Northwood can operate FWOC with 20 per cent less staff.

Notebook

station

with docking

CLASS OF ITS OWN

Unbl now, choosing a portable PC could mean compromising on power and flexibility Elonex's NB-500/1 notebook changes all that. Even the basic specification of the NB-500/i offers PCI Pentium power and a colour screen. And its modular design means that despite its small size and light weight, users benefit from a wide range of alternative configurations, including an optional CD-ROM drive. This Notebook has been designed to beat the best in the world, matching the versatility and processing speed of much bigger and heavier machines. Its Pentium processing power, multimedia capabilities. upgradeability and performance certainly puts the NB-500/1 in a class of its own.

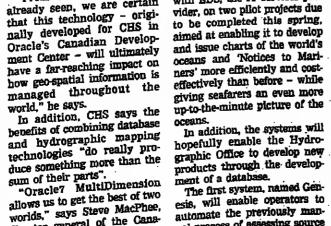
75MHz Pentium Processor BMB RAM (expandable to 40MB) 10.4" Dual Scan colour screen 3.5" diskette drive

540MB removable hard disk drive NiMH battery and AC adaptor 2 x PCMCIA Type II slots, or 1 x PCMCIA Type III slot. Compact and light - 297 x 228 x 50mm and 2.9kg

Valuable aid to navigation 16-bit SoundBlaster audio, audio ports and built in speaker Project is 'a model the spatial data our govern-ment uses to manage Canada's the Canadian government, hydrographic charts on-line, so whose then-minister of fish-Windows 95 (or DOS 622 & Windows for Workgroups 3.11) pre-loaded of co-operation that operators can manipulate inland and coastal waters for eries and oceans Brian Tobin and draw information from £2,109.13 incVAT(£1,795.00 excVAT) the fishing and maritime between called it a "model of co-opera-Genesis and quickly make industries." tion between governments and governments and Oracle sees wide potential updates to the charts. industry" for the benafit of The Hydrographic Office is an Agency within the British NB-5120/I application for the technology. those involved. CHS employees industry' An insurance company, for are credited with making the example, might use it to calculate the potential liability to its Ministry of Defence. Its pri-As NB-575/l above, but with: joint research developtechnical hreakthrough that mary role is to meet national 120MHz Pentium Processor A ment effort by the Cana-dian arm of database makes possible the managehydrographic responsibilities policy holders of a large-scale 16MB RAM (expandable to 40MB) ment of spacial databases. and to provide the hydroexperts Oracle Corporation and flood by plotting the location "The Canadian Hydrographic 10.4" Thin Film Transistor colour screen. graphic products and services the (madian Hydrographic Service (CHS) has yielded techof their homes relative to the Service received \$2.12m of softwhich users need to go about 1.2GB removable hard disk drive ware and support, Quebec got a new industrial laboratory flood plain of a river - while a their husiness at sea safely and £3,278.25 inc VAT (£2,790.00 exc VAT) supermarket chain might use nology that will allow geoeffectively. it to analyse buying patterns graphical and spacial data to and Oracle Canada got a new Worldwide navigational according to a highly defined easily be incorporated into product to market worldwide," Financing available cover is provided by a compact series of approximately 3,300 said Tobin. "This software set of demographic and geolarge databases. graphic information and then For NB-575/I Incorporated as a product adds significantly to Canada's high-technology expertise and British Admiralty (BA) charts use tha results to carry out £205..22 per quarter inc VAT known as Oracla 7 MultiDiand associated navigational mension, released in June of promotions organised by city, to our international competipublications. Charts are con-For NB-5120/I town and neighbourhood. last year, the technology is tiveness in this field." tinuously up-to-dated; in addi-£318.97 per quarter inc VAT something of a breakthrough According to Tim Evangelation to new publications there for anyone working with geotos, chief of database research New services are 200 revised editions and Other specifications for the CHS, there is already a graphic information systems. In the UK, meanwhile, the 4,500 corrections (Notices to large pent-up demand for this and finance available The spatial data that it can Mariners) each year. Admiralty's Hydrographic hold in its database is defined According to Dr Chris Drinktechnology. Office (HO) has been working by multiple dimensions -From the demand we've water, information systems already seen, we are certain with EDS, the IT services proincluding latitude, longitude director at the Hydrographic vider, on two pilot projects due that this technology - origi-nally developed for CHS in and elevation - and typically Office, this new system should to be completed this spring. describes the geographic charchange the way his agency acteristics of a particular area Oracle's Canadian Develop-

duction, from data assessment to product preparation, brings the potential for significant operating efficiencies, permits more rapid assessment and dissemination of information." Paper and digital products

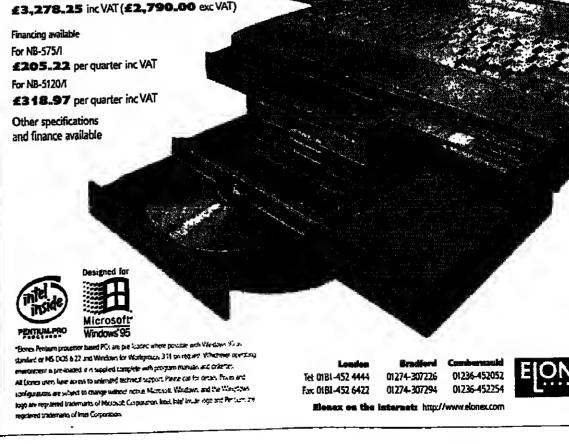
same database. automate the previously manual process of assessing source documents - including text, photographs, digital survey data, Royal Naval and commercial surveys and foreign government charts. The second navigation,"



works - "for many years, computer-based systems have been used to good effect. Introducing the very latest technology into all aspects of chart pro-

can also be produced from the

The overall effect will be a more efficient organisation. better meeting the needs of the mariner, "so ensuring that the office continues to play a leading role in supporting safety of



Telemedicine

By Geoffrey Wheelwright

Boon for rural areas

Computer technology and high-speed network links are changing the face of medical services in rural communities

systems that combine personal computers, video-conferencing and high-speed data transmission – is now playing an important role in many small North American towns and ionely, country outposts.

Telemedicine uses techniques such as video-conferencing as well as patient and dlagnoetic informetion exchange via high-speed computer links to bring the expertise of large urban hospitals to bear on the medical problems of patienta in outlying areas. without having to move the doctors into the field. In the American state of Montana, for example, US West, e telecommunications service provider, has been testing one telemedicine solution for the past twoand-a-half years.

known as the Eastern Montana Telemedicine Network (EMTN), has been running since September 1993. It is designed primarily to give rural patients access to physicians, and rural physicians access to epecialists. An important secondary goal was ongoing education for healthcare professionals and staff. It involves US West and five medical centres whose provider area covers 37,000 sq miles with a population density of less than two people per sq

The "huh" of the project (to which remote medical facilities can dial in) is at the Deaconess Medical Center in Billings, Montana, Rural users are medical and mental bealth care facilities in the eastern Montana communities of Culbertson, Sidney, Glendive and

Miles City. US West provides dedicated high-speed networking facilities to each site, connected in a daisy-chaln fashion, with eccess to a 384 Kbps channel for video and another 384 Kbps channel for data. The system makes simultaneous video conferences possible - or allows for the transmission of data during a video conference.

he emerging science of Each site has installed a per-telemedicine' - using sonal computer-based VTEL media conferencing system with two 27-inch monitors - as well as e camera that pans, tilts and zooms, and a document stand that allows the system to display anything from patient records and x-rays to three-dimensional objects.

US West says tha system can be connected to any medical devices that use a standard video ontput - meaning that pathology slides, endoscopy videos, echocardiograms, electrocardiograms and e variety of other medical imaging can all be transmitted - allowing the more advanced facilities at the urban hub medical centre to do the analysis of the patient's test results.

The system also allows for multi-point video and audio

Telemedicine reduces the isolation of rural medical practice

conferencing (so that groups of doctors and specialists can confer about a case), and for what is called "time conferencing", which functions like a video version of e-mail. On a pointto-point basis, computer conferencing is also evailable, so that users at two different locations can work simultaneously on a document.

Mr Jim Reid, former director of the EMTN who is now an eultant with Billings-based Innovative Medical Communications, says that the system has taken some getting used to "over 50 per cent of the patients surveyed said It wasn't the same as being there in person. But 100 per cent said they would prefer telemedicine

to travel." Meanwhile, another set of telemedicine trials are under way involving facilities on the west coast of the US. The University of Washington has linked doctors in Ronan, Mon-

Driggs, Idaho and Colville, Washington so that they now have electronic access vie interactive computer video to some of the top specialists in the main urban centre of Seat-

tle, Washington. Hospitals and clinics in each of these towns are part of this telemedicine project with the university, which is designed to evaluate the potential benefit of telemedicine consultations in the delivery of rural medical care. A grant from the Office of Rural Health Policy of the US Department of Human and Health Services funds the three-year project.

Medical consultations take place in locations equipped with desk-top computers and special devices to transmit live video and other images, such as x-rsys and high resolution photographe. For example, e rural physician can circle a worrisome epot on an x-ray eppearing on his or her comnuter screen and the circle will appear immediately on the same image on the University of Washington physician's screen in Seattle. The physicians can then see and talk with each other and the

This project is designed to use the least expensive and least complicated technology possible to assure that the technology remains affordable for rural medical fecilities. According to organisers, each telemedicine station costs approximately \$13,000 for a basic set-up – with additional costs for extra accessories such as a film scanner and other special medical devices.

Another aim is that the system will provide support for rural physicians who often experience professional isolation, which leads to a high staff turnover in remote areas. But knowing that e consulting specialist is just a phone call away may be the type of support doctors alone in a rural practice need. According to Dr Thomas Norris, principal investigator for the University

of Washington telemedicine project, it could make a big difference for doctors and patients - "isolation is the enemy in rural practice. We hope telemedicine can help



now guide other surgeons through complex operations - with needing to be present in the operating theatre

High-speed healthcare network

Multimedia saves lives

Philip Manchester reports on the progress of Superlanet

eading-edge networking technology is taking UK bealthcare into the 21st century. The SuperJanet network, first set up in 1993, provides high-speed multimedia networking to medical researchers and practitioners across Britain.

Funded by the Universities' Funding Council, SnperJanet evolved from the Joint Academic Network (Janet) which operated on an earlier generation of networking technology. SnperJanet nses bigh-speed networking tech-

nology called asynchronous transfer mode (ATM) to provide the handwidth capacity needed for multimedia applications, such as video-conferencing. The network runs on leased lines from BT nsing ATM switching hardware from General DataComm. SuperJanet allows, for exam-

ple, students to watch skilled spreeons perform 'live' operations over the network. Students and researchers can also use the network for videoconferencing and to view rare manuscripts and academic papers held in university libraries, via a desktop computer. "The important thing about ATM is that it gives you the ability to run a multi-service network. It's essential for the sort of epplication we are running because you have to be able to separete traffic." says Mr John Dyer, technology manager at the UK Education and Research Networking Association (UKERNA).

"We now have 15 sites connected to SuperJanet which can all participate in both data and video services. The video service is full motion, full frame - which is important so we can get the image quality." Six of the sites are regularly involved in the most ambitious aspect of the service which gives students acress to surgical teaching. Standard andio visual equipment in operating theatres feeds through to a coder/decoder (codec) connected to the ATM network. There are plans to use SuperJanet as e way of allowing consultants to advise on surgery remotely. An expert in a specific area of surgery could, for example, guide a surgeon through a difficult

operation without needing to Continued on facing page:

Injury claims processing

Danish trailblazers

New case records system eradicates paperwork delays

enmark's Industrial Injuries Board receives 330,000 letters a year yet it is aiming to become a paperless office by 1997.

This project will include document imaging, work-flow systems and electronic data interchange and allow staff to work from home. At the same time it will enable staff to take greater responsibility for cases, increasing their joh satisfac-

The Industrial Injuries Board, an agency of the Ministry of Social Affairs, handles compensation for industrial accidents, work-related ill-neeses and victims of Nazi occupation from 1940-45. It also advises courts in private insur-SUCE CASES

The etatistics surrounding the hoard's activities make the paperless office seem an impossible dream. Its 300 staff get 46,000 new cases e year, receive 1,300 letters a day and send out around 1,500 - amounting to at least 375,000 a year.

etively simple step in 1992 hy linking its chosen word processing software, Wordperfect. to its case records system. This has cut the separate keying of the same information

into two aystems. The letters always contain information which is found in

the case system, such as names and addresses, details of employers and insurance companies and information on injury dates and diagnoses, says Anne Madsen, the board's deputy director-general. "Writing, compensation cal-

culation and recording are now done in a single, antomatic

The case worker enters the file number and the code of the standard letter to be sent. An individual comment can be added to the letter if necessary. The system prints the letter and undates the case information: for example if the letter is to inform someone of e decision, the case record will be updated with the type of deci-

"If the decision is to eward

culates the amount, inserts it in the letter and, again. updates the case record. "All this means it is easy to

get a quick overview of an entire case, including all the outgoing correspondence. through a eingle enquiry."

The system links overnight to the national citizens register to update the central records with any changes of address.

This 1992 development has alreedy hed considerable impact. In effect all the tasks which have now been automated were previously done hy separate teams: there were staff entering data to the case records system, others word processing letters and a third group handling calculations, in addition to the professional case workers.

Automation cut the need for staff but instead of making half of them redundant the board chose to retrain them to take



Anne Madsen: her staff send out 375,000 letters a year

more responsibility and to improve service.

We work under contract to the Ministry of Social Affairs and part of the contract is to constantly eeek to improve quality," Mrs Madsen says. We have surveyed 2,500 direct clients and 300 organisations, such as unions and insurance companies, on their expectations and have set performance targets. For example, letters acknowledging receipt of a claim are sent within five days.

"Technology plays e part here, too; for example we produce weekly information on the numbers and quality of cases processed."

toward e paperless office by introducing still more technology. It is working with comnuter company Unisys on several projects at once.

minister

One key aim is to stop physically handling masses of letters. A pilot project is under way here on document imagine to store incoming letters as images. Letters are barcoded with reference details for automatic storage to and retrieval

from the correct case files. An associeted work flow project has been set up to identify further efficiency measures and changes to procedures. These projects are based on Unisys Unix computers and a Novell PC network.

The board is also looking at extending these systems to people's homes to support teleworking. This would not be every day but would enable staff to work from home for two or three days a week if they wished.

Meanwhile, telecommunica tion is being extended to the outside world, typically through electronic data interchange (EDI): the automated exchange of documents in stendard formats between comput-

This la generally associated with the transfer of orders and involces between compan hnt it is elso used for exchanges between public bodies. The board is using it to communicate with hospitals, insurance companies and local anthorities to request and

receive standard information. As the document imagine project progresses it will also send images of past correspondence to insurance companies electronically.

Electronic communication could even be extended to individuals: Mrs Madsen points out that well over 60 per cent of homes in Denmark have PCs. All these developments are in line with the Danish government's Information Society 2000 project, which grew out of e 1994 study commissioned by

Research and IT. "We want to be trailhlazers in the Information Society 2000 project - and we intend to reach our paperless office target by 1997," says Mrs Madsen.

the relatively new Ministry for

107



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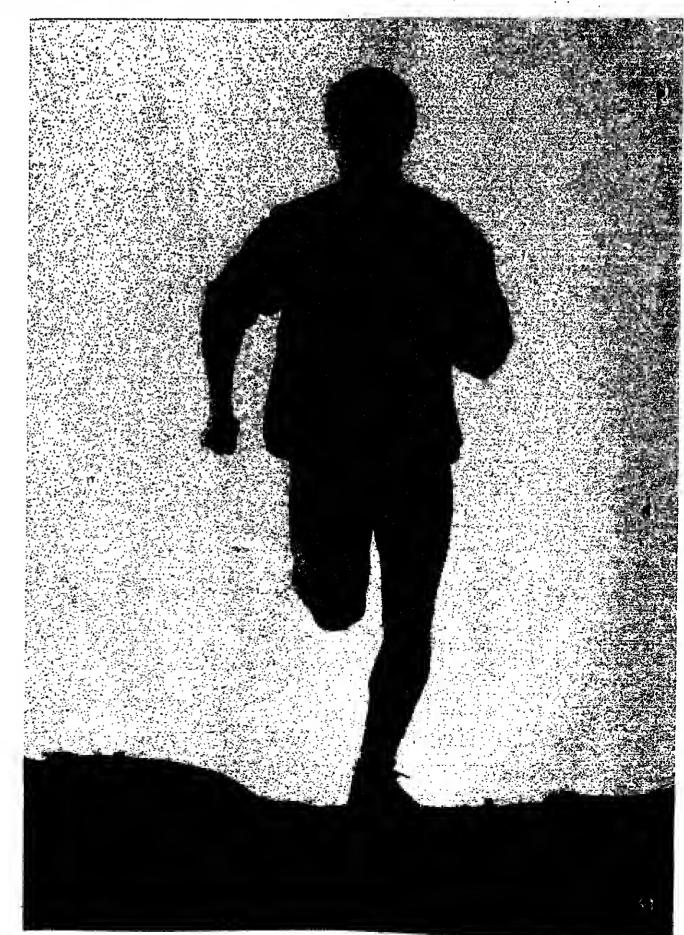
manegement systems. It leads us to make products which run ever faster and more efficiently; whether they are PCs, UNIX" or mainframe servers, customer

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IT in government

FT - I T

By George Black

Whitehall offices

By George Parker

Shape of things to

Let's join the IT revolution, says minister

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By Tom Forence

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hen Mr Roger Free-man, Britain's public services minister services miniater, toured e government IT exbibition last month he was most impressed with what he saw. Well, almost everything

The minister was treated to a demonstretion of what a Whitehall office would look lika in the year 2000, and watched in rapt attention as the new technology was put through its paces.

The fictitious minister's office was replete with voicecontrolled computers and video-conferencing facilities, offering him instant access to information and staff. The only problem was that the "minister" was a Labour minister.

That alight hiccup apart, Mr Freeman liked the look of the Whitehall office of 2000. In fact, he declared that the same facilities could be availeble to ministers now, if there was not so much suspicion of new tachnology within the civil service.

"It is a revolution and it's already happening in the pri-vata sector," he said. "We shave got to catch up to

become more efficient. "We are a conservetive nation with an excellent civil service, and we make changes very slowly. We have to face the reality that we are going to be engulfed by paperwork very soon; we must use modern technology if we are to govern properly.

Mr Freeman insisted that the technological revolution

held back by a shortage of tem and introduce the hardcash. Ministers believe the installation of hardware such as video-conferencing equipment could be installed under

the private finance initiative. "This revolution is with us now," he said. "There's no reason why we shouldn't introduce these new technologies immediately. There is no resource constraint - it is people that ere the constraint."

It was to sidestep civil service resistance to new technology that Mr Freeman and his boss - the deputy prime minister Mr Michael Heseltine



Roger Freeman: "We must use modern technology if we are to

inet Office information tech-

"It will be a professional team; we have got to let the in Whitehall was not being private sector drive the sys-

ware," he said. He did not believe the further introduction of IT would have "redundancy implications" for the civil service. The Whitehall 2000 display

at the Institution of Civil Engineers, was put on by the government's CCTA computer Mr Freeman wetched to see

how new technology could help n minister cope with the political aftermath of a simulated oil tanker disaster, in the year 2000. The exercise portrayed the minister visiting the scene of

the splli, and receiving instant and detailed briefings via computer and video link with his privete office. The minister's private secretary "George" used bis voice-ectivated computer to call up details of the wrecked

tanker and previous government policies on shipping The private office was also able to supply deteiled responses to anticipated media questions, as well as to provide biographical details

on a troublesome opposition -

Conservative - MP. "The Whitehall 2000 project could have a significant effect on the way government operates in the next millennium. Mr Freeman said. "This project positions the UK as the world leader in harnessing the power of new technologies

to enhance government. Mr Mark Gladwyn, head of strategic programmes et CCTA, said: "The technologies used in Whitehall 2000 are simple to operate and will eneble ministers and business leaders to participate fully in e global economy.

I Computer services in Whitehall

Relief over agency's future

aspects: "Full cost-recovery

will not be easy and there will

be slimming down ... we have

to convince customers that it's

worth paying for our services."

Information Technology Unit

(CITU) last November at the

Instigation of Mr Michael

Heseltine, deputy prime minis-

ter, with a remit to make a

strategic review of govern-

ment's use of IT, raised the

question of how it would relate

to the CCTA. The January 31

announcement stated that the

two would "work in close co-operation."

The mission of the CCTA,

"to belp the public services

successfully acquire and use

the information systems to

meet their husiness needs."

has not changed greatly in

many years. But what that

task involves and how the

CCTA should go about it have

alweys been controversial

issues and its responses to the

challenge have been continu-

ously changing.
One hig upheaval came in

the 1970s when the buy-British

policy was abandoned and the

then British ICL ceased to be

the CCTA's preferred supplier.

Another came in 1984 when

departments were freed to use

alternative channels of pro-

been steadily commercialised.

The proportion of work which

it undertakes free of charge for

the common good of its cus-

tomers - now around 50 gov-

ernment departments and 100

agencies - has fallen sharply.

It is down to 20-25 per cent

Since then, the CCTA has

curement

The creation of the Central

The news that the CCTA will become an executive agency is a relief to its management and customers

orrias that White-hall's main computer services agency, the services agency, the CCTA - originally the Central Computer and Telecommunications Agency - might be priva-tised or abolished were dispelled last month when the government announced that the CCTA would not be sold but stay in the public sector as an executive agency.

The agency, with a staff of 290, helps departments decide on the kinds of computer services they should buy and advises them on issues such as data protection. Ministers took the view that it would be difficult to privatise a body whose main task is the provision of high quality service to Whitehall departments.

CCTA staff are at present civil servants within the Cabinet Office's Office of Public Service: as an executive agency from April 1 they will remain within the OPS, but operate on a full cost-recovery basis.

The CCTA's director Roy Dibble, who is due to move to the Foreign Office in February. had said that privetisetion could prevent the CCTA from continuing to perform its role of undertaking independent work on behalf of its customers. However, hecoming an agency would only compel it to prepare its accounts differently, which could quite easily be done, he said, and would therefore be likely to be less

disruptive. Mr Dibble said it was a great relief that the CCTA would not he privatised and "we're extremley pleased," but, be added, there were negative per cent. Government departments

might not like being asked to pay for services which they had previously had for free, he noted, adding that this was a matter for ministers, not civil servants, to decide.

shrunk, partly because outsourcing of information systems by departments and agencies has reduced the CCTA's advisory role, partly because those customers have strengthened their own internal expertise.

The CCTA has become far more selective about the services it offers

the CCTA had 400 staff; now it has 290, most of them based at Norwich. But it has to provide support services for a total public sector procurement of systems valued at £2.3hn e year, a figure which is up from £1.7bn five years ago and still

Last year, the CCTA was directly involved to arranging £559m worth of procurement contracts and £400m worth of market testing and outsourc-

ing contracts. The pressure to support a larger and more complex procurement operation with fewer people has meant that the CCTA has had to be much more selective about what types of service it can offer, and Mr Dibble said that the It has spun off some prod-

current objective, urged by the octs, such as the methodolo-Treasury, was to reduce it to 10 gies for systems analysis, project management and risk management, respectively known as SSADM, Prince and Cramm, as well as its infrastructure library, into autonomous com-

It has retreated from standards-setting, reducing its representation on national and The organisation has international committees and withdrawing from the almost impossible job of instructing the public sector on which technical standards to follow. Of the remaining activines, guidance on best practice in

> tive, and research into emerg ing technologies are - until April - still free of charge. Bulk purchasing of systems as well as consultancy services have to be paid for.

procurement of computer and

telecoms sytems, support for

market testing, outsourcing

and the Private Finance initia-

The CCTA also publishes around 50 books, reports and hriefing papers a year on technical subjects, which are sold through Her Majesty's Stationery Office (HMSO) to both public and private sector customers in the UK and overseas. The research focuses on currently bot topics such as government's use of the internet and informetion superhighways of the future, smart cards

and electronic commerce. The potential impect of a change of status on up to now free services such as guidance and research has worried the

and identity cards, groupware

CCTA's customers. They see the CCTA's experience of government systems accumulated over 25 years as a unique source of assistance and a catalyst for their technological development.

make e strategic review of government's use of IT

Last year the government canvassed the views of the CCTA and its customers on what its future should be. Some departmental heads of information systems responded that the loss of independence would be a serious matter both for them and for the CCTA. A private company would always have a vested interest when it

gave advice, it was argued. Colin Muid, head of central information systems at the Home Office, was one who took

He said that the Home Office made moderate but important use of the CCTA's services, especially for edvice on complex issues about the novel use of technology.

"The CCTA has been one. two or even three steps ahead of the rest of us most of the time." he said.

lt was also valueble for a department to be able to tell the National Audit Office and the Public Accounts Committee that It had received the best possible edvice before embarking on a major project,

- decided to set up e new Cab-

CITU, as it is known, will comprise a mix of hendpicked civil servants and staff seconded from industry, who will draw up a complete Whitehall computer strategy and implement it with the sid of the private sector.

By John Kavanagh

■ Electronic trading at HMSO

Cash flow speeds up

How Britain's biggest publisher handles 400,000 . orders a year

t takes eight minutes on average for a member of staff at Her Majesty'e Stawith an order for publications, stationery or office equipment. Yet half the orders are worth less than £10, and 90 per cent total less than £100. The organisat in receives over 400,000 orders a year, with a total of more than 3m order lines. These figures spurred HMSO

into electronic trading - and its early experience has proved so beneficial that it is expanding into some pioneering applications. HMSO is the blggest publisher in the UK, the biggest

printer and the third biggest stationery supplier. It has e turnover of £360m and 2,900 HMSO supplies stationery, publications and office equip-ment to the public sector and also sells publications to the

private sector. Pressure to start electronic trading was really felt at the end of the 1980s, when it began working et arm's length from

the government as an agency. "We no longer had public sector husiness hy right or decree: we were now only as good as our product price and service," says electronic data interchange (EDI) manager, Mr Terry McCrum.

Wa had a reputation for good quality products at competitive prices but we were seen as remote and bureaucratic and our service was perceived as slow. Customers were changing with the advent of devolved budgets and ordering and the recruitment of better qualified and professional purchasers.

"In addition, our big customers were moving towards EDL" Like many organisations, HMSO started in electronic trading by receiving orders using a standard EDI message into a PC, via the GE Information Services Tradanet network. The messages were printed and the information was then keyed into the order processing system.

That was six years ago. Today, HMSO has set up a early notification if a supplier more efficient system based on

GE's Ediswitch software, which receives EDI messages, extracts the necessary data and passes it automatically to the eppropriate business

Orders now come from three electronic sources, including EDI. An on-line catalogue can be accessed from a PC by link-Unix computer in Norwich. Customers can place orders through this machine, which sends them to the Ediswitch system. The on-line catalogue is now used by more than 200

customers. HMSO has also just started supplying its catalogue on floppy disc to government departments. Customers can browse it and set up orders on. a PC and then send them over the Government Data Network. again to the central Ediswitch

system In all cases, the Ediswitch software extracts the relevant data and passes it to the order processing system

lectronic trading now accounts for £42m of orders, or 12 per cent of HMSO's total. This figure has grown ten-fold in four years. As well as receiving orders via EDI, HMSO now sends back invoices and also sends

orders to its own suppliers: around a quarter of its own orders are sent in this way, to 130 suppliers. We've cut our lead times dramatically - by five deys on average," Mr McCrum says. This has enabled us to gain

and retain business. For example, we have just won a contract from the National Health Service which demands that orders received up to 2pm are delivered the same evening. "We have increased accuracy from the reduced keying of information. Previously, 10 per

cent of keyed documents needed attention to sort out errors; now ft's less than one per cent. Sending invoices hy EDI has improved cash flow,

because customers receive

them promptly and we get paid more quickly." Further EDI messages are being added, hringing increasing benefits - "we are starting to receive order response messages from our suppliers," Mr McCrum says. "These give

can't meet an order, so we can

decide immediately to use another supplier and can quickly inform the customer.

"The despatch advice message will enable us to prepare storage space for big orders and plan to unload the lorries. We can also keep customers informed about their orders. If the supplier is delivering direct advice can trigger the transmission of our invoice, to arrive just after the goods.

"We can make real savings by receiving invoices electronically. We get 200,000 invoices a year and have a small army of people keying them in and metching them to orders, because 25 per cent do match eutomatically.

"Suppliers will also send their product information directly to our on line cata-logue for eutomatic updeting, again eliminating keying.

"All these steps ensure that we have better accuracy and efficiency, and better relationships with customers and suppliers: EDI has facilitated the re-shaping of internal business

HMSO expects these relationships to develop still further. It is looking into paying by EDI, sending instructions electronically to the bank, which would arrange payments and send remittance advice messages to the recipients...

"We normally pay within 30 days, but if we can reduce the payment cycle and pay earlier we can again promote e better relationship with suppliers and negotiate discounts," Mr

McCrum says.
Other possibilities include setting up eutomatic readers for entering the 30 per cent of orders that come in by fax and currently have to be keyed-in. HMSO is also exploring the

Internet, possibly to make its catalogue widely available, perhaps setting up PCs in HMSO shops to provide access. Finally, after six years of

progress from a humble start in EDL HMSO is aiming at the ultimate in electronic trading; not holding any products at all. One aim here is to get suppliers to hold stock themselves, to

cut HMSO's own am product inventory. A first step will be to send sales data and forecasts to suppliers via EDL Allied to this will be self-billing by the HMSO: it will calculate suppliers' invoices itself and

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Multimedia medical network proves its worth

Continued from facing page:

be present in the nperating theatre. SuperJanet can also be used for multi-way technical meetings - "the network is extremely useful for this and we have had up to 11 sites. The performance of the netparticipating in a multi-way

video-conference." Actes to electronic docunents is another area where SuperJanet has proved its. worth. Experiments have been carried out where the text of or reliability, they are related

academic journals was distributed over the network: "The John Rylands Library in Manchester has made material available electronically and there has been an enormous amount of interest in this."

work has lived up to expectations - although Mr Dyer says there are still improvements that could be made: "The limitations of ATM at the moment are not to do with throughput

to reduced functionality and the lack of standards. Supplistandards in the area of switched virtual networks which is something we need, You can get proprietary solutions - but we want standardsbased technology."

Meanwhile, SuperJanet has proved that ATM can deliver on its promise of full multimedia networking and this. augurs well for the future of Alliances on the Information Superhighway

Connecting the classrooms

US government acts as a catalyst to achieve private sector partnerships in education

the potential advantages for individ-Lals and industry of teleworking – or telecommuting, as it is known in North America - hut the US government is also pushing the benefits of this technology as epplied to education

From US president Bill Clinton on down, there is a massive push to creete e national network of "connected classrooms" that can gain the benefits of the vast pool of educational resources on, for example, the Internet - in the same way connected individuals who are telecommuting can have access to these resources for business while they are working from

More than 9m Americans already use computers and modems to work from home and the number is rising fast.

President Clinton, in e speech in San Francisco, laid the groundwork for new educational benefits: "I issue e challenge to America to see to it that every classroom in our country is connected to the Information Superhighway.

"By the end of this school year, every school in California - 12,000 of them - will have eccess to the Internet and its vast world of knowledge. By the end of this school year, fully 20 per cent of California's classrooms - kindergartens, elamen-tary, middle and high schools, from one end of this state to the other - will be connected for computers.

"If that can be done in California, we can do it in the rest of America." He emphasised, however, that the key was partnership - "the joh of connecting

California schools will be undertaken by a wide alliance of private sector companies, among them: Sun Microsystems, Xerox Parc. Apple, Oracle, 3Com, Silicon Graph-

great deal bas been written about ics, Applied Materials, TCl and Cisco Systems. "Our administration bas brought these companies together, we bave set goals, but they are doing the rest," explained the president.

"Just as the connecting of our classrooms is a model for the 21st century, so is the way we are doing it bere today - with government as e catalyst, not a hlank

The president challenged husiness. industry and local government throughout the US to make e commitment of time and resources "so that by the year 2000, every classroom in America will be connected. While the partnership between industry

and government was important, educational reports revealed that "children with High-tech goals will not be achieved by the

government alone, says

President Clinton access to computers learn faster and learn better. Children mastered basic ekills in 30 per cent less time than would normally heve been the case. Also, they stayed in school – absenteeism dropped from over 8

per cent to under 5 per cent." Clinton suggested that corporate America should look to work such as that done by Sun Microsystems, with its projects last year to organise e coalition of companies and volunteering in 'Net Day' - an effort to install networks in at least 2,000

"The number is growing with each new company joining the effort, in the morning, volunteers arrive at each school, By

noon they have wired the library, the lebs the classrooms. By nightfall, those schools heve the technology they deserve." he edded.

The president also cited the example of Smart Valley, e coalition of Silicon Valley companies that has contributed \$15m to putting technology in schools and is committed to developing 500 model technology schools over the next 18 months.

Finally, he pointed to the work of the on-line services and telecom service-providers as an example of how industry is helping to advance these government goals.

"America Online bas offered Internet services for a year, AT&T is providing Internet access and voice-mail to all California schools," he said.

Sprint is helping to connect the schools; MCI is providing software for entry into the Internet and helping to connect the schools. "And Pacific Bell, which has led the way

in linking California schools, is accelerating its efforts by hooking them up to high-speed phone lines."
Clinton summed up the US govern-

ment's strategy with a few "guiding principles" that he said were central to the effort. These are "modern computers in every classroom, accessible to every student from kindergarten through 12th grade, networks that connect students to other students, schools to other schools, and both to the world outside. "Educational software that is worthy of

our children and their best aspirations and, finally, teachers with the training and the assistance they need to make the most of these new technologies," he said. But the goal would not be achieved by government alone - "it can only be met the way these companies are doing it with communities, businesses, governments, teachers, parents and students all joining

together - e high tech barn-raising.

M National Geospatial Database

The ultimate map project

A centralised geographic data base offers valuable services to planners

f anything can help a stranger in Britain to explore an undulating landscape, it is an Ordnance Survey map. So it is appropriete that the OS organisation should be suggesting a route for central and local government to follow in order to make their terahytes of data more valuable.

Tha OS believes that if the thousands of data sets collected over the decades by government departments, agencies and local enthorities ahided by the same criteria then they could dove-tail together and add up to more than the sum of their parts. It is not surprising that the OS believes the criteria should be

Most of the information collected by governments about that which they govern has some geographical base: from hus shelter permits, to setaside rebates to radioactive incidents, the data has been recorded with a location element.

geographic.

That element has been defined by different data gatherers so often it is not easy to marry them. For example, a

the same as e National Grid reference so it becomes hard to use two data sets together.

The OS is promoting the need for a Netional Geospatial Database (NGD) in which all the different data sets have geographical descriptors in a standardised format. The prize from such deta linkage is better quality data through identification of data inconsistencies - and the generation of added value.

Perhaps the most dramatic example of the effective use of such integration was the data base hullt by the task force led by the US Geological Survey following the 1993 flood disaster in the Upper Mississippi river basin.

This brought together data from several government agencies and played e leading part in the management of the situation. Indeed, it led directly to the Clinton Executive Order mobilizing the National Spatial Deta Infrastructure.

The establishment of e national database is specified in the OS Executive Agency Framework Document and it is working with several players, including the Land Registry, the Local Government Management Board and the Inter-departmental Group on Geographical Information to hring it ebout.

Whenever any organisation

tion, fears of Big Brother grow, but the OS is quick to

scupper them.
"The NGD is not seen as a singla, all-embracing collection of data sets held in one massive computer system. It is seen as being a 'virtual database'. It will comprise the totality of many individual geographical data sets collected and held separately by many different organisations," said Bryan Nanson, director of information management, Neil Smith, chief science advi-

Fears of 'Big Brother' have been quickly scuppered

sor and Alison Davey, of the NGD programme, when they presented their case at the recent Association of Geographic Information national conference.

There is an OS-run system in place already which should eventually become part of a much larger NGD. The Spatial Information Enquiry Service (SINES) has been running fur two years, on behalf of the Department of the Environment, answering queries by post, phone and fax.

Since the end of last year it has also been available on-line

Wide Weh. SINES provides details about more than 500 data sets held by government dapartments throughout the

With the on-line version nsers can query SINES by keyword by organisation and by the area covered. It provides summary information concerning the data sets thet satisfy the criteria givan including a map that indicates the cover.

Neil Smith, Ordnance Sur vey's chief science advisor, says the version of SINES on the Internet is still in its infancy and could be the forerunner of a system which allows the browser to go even further, not just finding where data is held but also accessing it seamlessly.

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"In the future, more detailed information will be needed within SINES and its successors to support the applicaallow," he says.
"Quality information.

increasingly quantitative, will allow rational selection of data sets with links to transfer - and invoicing - systems. The contants of the SINES metadatabase will need to be expanded and updated more frequently. It is essential than the 'one stop shop' happens if our vision of the National Geospatial Database is to succeed."

■ Government contracts: Problems for Italian IT suppliers

Hard lessons from the past

Investigations into bribe scandals paralysed the government's IT procurement process

The early years of this decade saw what amounted to a revolution in italian political life. triggered off hy zealous anticorruption magistrates. .

Until this remarkable clean up took place, most suppliers for state contracts had no choice but to enter into a tortuous process that owed little to product quality and specification. A series of cascading bribes and deals awarded on the basis of political loyalties

it is estimated that four million people were involved in the payment or receipt of hribes amounting to £2.25hn every year. The example of Olivetti illus-

trates the difficulties facing IT suppliers who attempted to steer a course around the old system. Mr Carlo de Benedetti. Olivettl's chairman, fought hard to keep out of the network of payments, known as Tangenti. But between 1988 and 1991, Mr De Benedetti has admitted that this policy was reversed. Reluctantly, Olivetti paid out £4.6m in bribes for government contracts.

The commercial reality that drove this decision is painfully ohvions. Until 1987, italy's leading IT company had only sold

film worth of systems to e prime candidate for such husiness, the Ministry for Postal Services. But once it howed to a corrupt system, Olivetti saw sales to this ministry soar to £260m between 1988 and 1991. Then Mr De Benedetti ruled against illegal payments. And orders from the postal service

The collapse of this system of patronage has totally changed the system of tendering for government contracts. AIPA, a central authority charged with vetting all government IT contracts, emerged from a raft of laws passed in the wake of italy's voite-face. The selection of all IT contracts worth more than £200,000 is supervised. AIPA is charged with all

ment. It oversees the security standards of potential purchases and advises all government departments, AIPA should, in an ideal world. rationalise every aspect of IT procurement and strive to eliminate the duplication of assessment and systems implementation between different

Has AIPA really changed the face of Italian government IT? The fallout from Italy's outburst of public indignation over the scale of official corruption means some significant suppliers refuse to discuss the issue at all, describing all official contacts as too sensi-

Mamoli, an executive of tion [or], an earthquake. But



After the shocks, suppliers are more confident now. Above; computer being checked at Olivetti's plant at Scarmagno

But Milan-based Maurizio have not really seen a revolu-

French computer company there has been a real change in Bull, speaks about the new terms of discipline. Now we regime: "My feeling is that we have a lot of controls on every contract."

The certainties that the

arrival of AIPA has created makes Mamoli's world a better place to do business

By Michael Demosey

Bull bas recently signed a number of government con-tracts in Italy, including the supply of a large network of desktop workstations for the customs division of the Finance Ministry. The contract, worth more than £2.5m, includes 1,750 PCs backed up hy 217 larger processing units. IBM employs 1,100 staff in

italy, contributing to social security and central and local government systems. Mr Giultano Ragni, director for government business at IBM Italy, notes that the years between 1992 and 1994 were very difficult. This was when the investigation into corruption moved into top gear, cleaning up the administration but paralysing the procurement process et the

same time. The impact of the Tangenti scandal was severe. Officials were in a state of shock in many areas of public adminis tration. Nobody was able to take decisions. Mr Ragni makes a wry observation on the extent of that crisis: "The Italian people can always manage a difficult situation. But this was exceptional.". Francesco Valdevies, a Uni-

sys executive, works with 500 colleagues in Italy. He echoes IBM's Ragni in his reservations about AIPA, noting that it has 200 staff to handle the entire IT sector and often takes too much time to reach decisions. But Unisys is doing husiness with the new cleaned-up procurement body. it has begun managing IT for the Justice Ministry on a contract worth about \$4m a year. Valdevies is optimistic that Italian state IT is on an upward curve, with hard lessons learned from the chaos of the past.

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Accounting &

Distribution

Software

Managemani

Scala International

Woodford Green, Essex iG8 8HD Tel: 0181 550 1994 Fax: 0181 561 7429

Product Description The International Scala Group develops and markets Scale, Accountancy Age's Accounting Software of the year 1994, which is a fully multilingual, multi-currency business management and accounting system. Supported from 54 offices worldwide, in 30 different languages, Scala is

Geographical Coverage
Worldwide - 12,000 installations in 92 countries.

Scala House, 23-24 Bourne Court

Geographical Coverage

IBM compatible PCs, Networks, All Unix eystems.

Applications Scala Financials, Logistics, Business and Manufacturing, available in DOS, Windows and

Cost Price on application

Comshare is a global company providing software and support in 40 countries Applications

(Intel), IBM's OS/2; or Hewlatt Packard's HPUX operating System.

Comshare - The Decision Support Company

NEW - Commander Decision™ is a dynamic new decision support application for

analysts, managars and executives that promotes innovative thinking, identifies

geographically with an integrated mapping systam; visually, with colour-coded exception reporting; analytically with ad hoc queries and calculations; and pro-

"Commander Decision's is a truly formidable decision support application." Bruce

Commander Decision is an antirely new, client/server 32-bit software product. Client platforms include Microsoft's Windows 95, Windows NT 3,S or Windows 3.1 (Win32s) operating system. Server platforms include Microsoft's Windows NT

alternative courses of action and monifors progress. Its desktop Interface

presents business intelligence in five ways: graphically with charts;

actively with Comshare's innovative alert system, Detect and Alert™.

Commander Decision's Microsoft Windows™ interface brings relative ease to the difficult challenges of: · EIS/key performance indicator monitoring

· product and customar profitability analysis

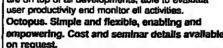
 sales and margin planning sales and markating analysis

financial reporting and analysis

budgeting

· merchandise planning and tracking

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World-Wide Web:

FT 2000

DB WORLD - The Database Warehouse Interactive Group Limited 12 Princeton Mews, London Road, Kingston-upon-Thames, Surrey KT2 8PT

19-21 March 1996 - Olympia 2 London DB World is the UK's leading showcase for detabase management systems and associated technology. DB World comprises e world-class conference, user case studies - 'DB Real World Experiences'. Free product seminars and e highly

Entry to the show is free and all visitors receive a complimentary copy of a the DB World Research Report and Directory (worth £95.00), together with a free CD-ROM with sample applications and information for product evaluation. For further details call: Tel: 0181 541 5040



Lawson Software

Cepital Piace, 120 Bath Road Hayes, Middlesex UB3 5AN Tel: 0181 754 8470 Fax: 0181 754 7788 Company Description

Lawson Software offers robust, client/server applications with proven business benefits for companies worldwide. Lawson has 20 years of experience in developing business applications, with high-end, corporate functionality. Combining that experience, with a unique underlying development technology strategy. Lawson offers future proof solutions - offering both high-end functionality and openness and integration to the newest technologies.

AS/400, RS6000, HP9000, DEC Alpha, Sun. Sequent, U6000 Applications Accounting, Dis

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central government, local authorities, the police and health services. Visuals' highly innovative range of advanced systems leads the way in the exciting new Very Fast Recognition Speeds at Low Cost

Hardware Links to existing video or CCTV systems



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IBM AS/400. GUI Includes Windows and OS/2.
Price on application, includes user input to develop Geographical Coverage 45 Offices worldwide.

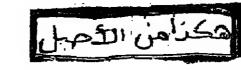
Applications Truly Integrated manufacturing, inancial and distribution software. Strategy includes OOT and Cient/Server.

15 UK ITSEC Scheme PO Box 152 Cheltenham GL52 5UF

Tel: 01242 238739 Fax: 01242 235233 An Insight into the UK iTsec.

Computer security evaluation is the detailed testing of the security features of a system or product to ensure that they work correctly, effectively and sufficiently strongly to meet the claims made by its The national security evaluation body in the UK is the IT Security Evaluation and Certification Scheme (ITSEC Scheme) which started in July 1990. The Scheme, administered by a Certification Body

based at Cheltenham, is jointly managed by DTI and CESG. uk sec



SOFTWARE AND IT SERVICES MARKET

16 Consulting

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Services 17 Opta Management

15 Distribution Manufacturing & Financial Solutions :

19 Electronic Document Management Software

20 Electronic information Systems

16 The Hunter Group 20 Berkeley Square,

London W1X 5HD Tel: 0171 629 7629 Fax: 0171 629 7621

Company Description Specialising in Human Resources information management, the Hunter Group helps organisations plan, develop and implement strategies and informations and informations and informations. strategies and information systems solutions to support personnel, payroll, and benefits administration, with an emphasis on client/server administration, with an emphasis on client/server computing platforms. Our services range from strategic systems planning and process improvement to product implementation

management and support Geographical Coverage United States, Europe and Asia/Pacific Applications Implementation Services, Management Consulting and Training Services

Hunter All image end computer data.

MR-Data Management Group Pic

47 Bastwick Street. Landon EC1V 3PS Tel: 0171 250 3377 Fax: 0171 250 1873

Company Description MR-Data Management Group provides comprehensive facilities management and out-

sourcing for data management requirements, Services Include: Image and data capture, electronic printing, secure off-site data storage and market leading Memex software. Hardware

Atl major systems **Geographical Coverage** UK, USA, Middle East Applications

Minerva Industrial Systems plc

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m*i* nerva

GUI, OO, ROBMS. 4GL, 200+ platforms

Geographical Coverage Worldwide multi-lingual

integrated solutions for manufacturing industry MFG/PRO, Progress, Oracle.

TE FilePlus Europe Ltd

Coworm Park House Ascot, Berks SL5 7SF Tel: 01344 875050 Fax: 01344 873622 emait. 100137,2021 @compuserve.com

duct Description File Plus Professional 2 is State-of-the-art Document Management Software for the Professional Office environment. This Windows platform software indexes either scanned or DDE Linked files, stores images, searches for, retrieves and prints documents in the fastest, most efficient, secure and convenient way possible.

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24 Pegasus Software Ltd

Orion House, Orion Way



PO ACL

Lloyds Bank Chambers, The High Street, Southam, Warwickshire CV33 0HA Tel: 01926 814066 Fax: 01926 814880

Company Description

ACL designs corporate executive and management information systems with a particular bias towards retail environments. The ACL EIS product provides a complete financial profile of e business and allows powerful analysis of products, customers and suppliers across the whole organisation.

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GIS and close integration with EPOS **Applications** Financial, Marketing and Sales

Software 2000 UK

Bourne End, Bucks SL8 5AJ

Crosby House, Meadowbank, Furlong Road.

Tet: 01628 850850 Fax: 01628 850243

Company Description
Solware 2000 offers a comprehensive suite of financial
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the IBM AS/400 server and related technologies, using

client/sarver and object offented technologies to provide easy-to-use icon and graphical screens and imagration with popular windows spreadsheet and word processing

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IBM AS/400, Server, Client Server - OS 2, Windows, MAC.

UK, Mainland Europe, USA, Australasia, Asia. Sth Africa.

management & human resources £25,000



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Management

2 SSA

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As 400, RS 6000, HP9000, Digital Alpha.

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Hertlord SG13 7HJ, England Tel; +44 (0) 1992 500006 Fax: 01992 500065

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Coverage Over 40 Offices worldwide.

Company Description

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Include 16 of the Times

Top 30 Companies.

Users

Geographical Coverage



HEROIX

22 International Business Systems 1 Imperial Place, Elstree Way hamwood, Herts WD6 1JN Tel: 0181 2075655 Fax: 0181 2076770

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Applications Financials, Distribution, Inventory Asset, Service, Production, Manutal Project, Warehouse Management, ElS and FMCG.

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Tactician UK are the master distributor for the

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tocused design for business applications, is the essential choice for corporate - wide

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GROUP

Tel: 01423 560064 Fax: 01423 525545

North Yorkshire HG1 5AW

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Coverage United Kingdom and Europe

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London W1P 4DS

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Hardware

Coverage

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mapping software.

Hardware

Applications

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Cost

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Hardware On all Windows compatible PCs

Geographical Coverage UK · expanding to worldwide

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or Windows NT platforms.

OS/2, Windows NT, Windows 95

Revelation Software

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Central Milton Keynes MK9 1DP Tel: +44 (0) 1908 233255

Revelation Software provides the only suite of

application development tools that provide native

access to the rich, unstructured data of Lotus

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single developer who needs to create applications

Revelation Reporter enables both novice and

expert users alike to create quick but sophisticated

quickly; Openinsight for Workgroups gives

users network-aware, multi-user capabiliti

ollaborative development; and

an active extensible repository that facilitates

270 Upper 4th Street

Geographical Coverage

Applications

25,000

Internet Security

Company Description

Thamesbourne Lodge

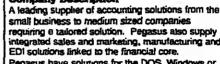
LanOotics' Guardian is a transparent Internet

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Internet, Features include a uniquely user-friendly

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mpany Description

integrated sales and marketing, manufacturing and EDI solutions linked to the financial core. Pegasus have solutions for the DOS, Windows or etworking environment.

Kettering, Northants NN15 6PE Tel: 01536 495200 Fex: 01536 495201

United Kinodom

Applications Accounting/Business

Cost

 $(A, \mathbb{Z}_{+}^{n}, A_{n})^{\otimes n}$

From £500 **Netsoft International Limited**

Coach House Cloisters, Hitchin Street, Baldock SG7 6AE Tel: 01462 490094 Fax: 01462 490919 Company Description

Netsoft designs, develops and distributes e range of software products that provide easy, reliable and cost-effective client/server software solutions, linking PCs and PC networks to IBM mainframe and AS/400 computer systems. Netsoft are available for Windows, Windows for Workgroups, Windows NT, Windows 95 and IBM's OS/2 and Warp operating

Geographical Coverage mtemational.

Applications 1BM mainframe and AS/400 connectivity.

First Information Group/

Knightsbridge House, 197 Knightsbridge,

Company Description

Bespoke multimedia business to business solutions. The Consumer Division, FlagTower™, publishes highly acclaimed interactive documentaries combining sturning graphics, text and animation with a unique audio visual narrative

Releases Include The Space Race, World War I, World War II, War in the Pacific, Great Generals of the 20th Century and A History of Medicine.

Flag Tower M

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Tel: 0171 393 3000

Hardware/Compatibility
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Geographical Coverage

World-wide

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Double disk: £39.99

Cost

Apex Group

Geographical Coverage

Totally integrated financial

Hardware

Applications

Apex House, 2 Watling Drive, Sketchley Meadows Business Park, Hinckley, Leics. LE10 3EY

Cost

Entry Level Price

Company Description
The Apex Group has provided IT solutions to companies in the manufacturing and distribution sectors since 1982. It is the leading implementation specialist for Chameleon 2000/CS3, the integrated Financial, manufacturing and distribution system from Tetra, with over 250 successful customer installations in the UK.

Hardware Unix, Novell, Windows NT, Bhieve, Informix, Oracle, SOL Server

Geographical Coverage Apex Group has offices in Hinckley, Sheffield and Southampton. Applications
Tetra Chameleon 2000/CS3

Fore Systems Inc.

Birmingham Business Park B37 7YE

Fore Systems is the world-wide leader in the design

performance local area networking products based on ATM (Asynchronous Transfer Mode) technology.

development, manufacture and sale of high

Tel: 0121 717 4459 Fax: 0121 717 4455

2475 The Crescent

Company Description



26 FT.IT Software & **IT Services** System Management

27 Geographical Information Services 28 Guardian

29 IBM Connectivity Software

30 Integrated Business Support -

> 31-32 Ħ Recruitment

33 Lotus Notes: Application Development

34 Multi-media Software

35 Networking

36 Networking

37 Networking &

38 On-line

Business

39 Outsourcing

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40 Sales and .

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Marketing

Information

Infrastructure

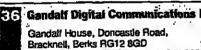
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Hotline: 01344 55565 Fax: 01344 303093

Company Description Gandalf is an International manufacturer of high performance networking products, serving the needs of blue chip, medium and small companies worldwide. Leeding products include low cost of products, supporting teleworking, internet projects and regional/head-office networking requirements.

Applications Ali

X-Net Ltd

Island House, 43 High Street, Fordingbridge SP6 1AU Tel: +44 1425 656661 Fax: +44 1425 657723

Across the UK, Europe, Far East, USA

opany Description Building bridges between Industry and Government funded organisations requires e clear nding of each others business visions. Xunderstanding of each others business visions. A-Net achieve this by providing technical consultancy to public bodies and service providers in the field of networking and IT Intrastructures. If you are bidding, or preparing to outsource, and you need quality solutions and assistance, you need the face behind success: X-Net

the independent technology consultants. Geographical Coverage

International

Tel-Me

Tel-Me Information Centre, PhoneLink plc FREEPOST (BS 6851) Bristof BS8 4YY

REVELATION

Tel: 0800 991155 Fax: 0800 317206 Company Description Tel-Me is Phone Link's PC based on-line business information service which provides UK businesses access to essential everyday information quickly, cheaply and effortlessly. Information available on Tel-Me includes telephone numbers (business telephone numbers and addresses are tree), train imetables, route and street maps, company inancial records, hotels and much more.

Hardwere 486, 8Mb, WiN Cost From £49.95



CFM Group Ltd

Westhorpe House, Westhorpe Marlow, Bucks SL7 3RQ Tel: 01828 488888 Fax: 01628 488088

mpany Description CFM is one of the UK's fastest growing and most successful IT outsourcing companies. With a turnover of over £120m pa and over 100 clients, CFM has unique experience of its core business. CFM's success in both the public and private sectors is based upon its continued investment in people and its ongoing

commitment to client service. CFM solutions are system independent, encompassing all major vendors.

Geographical Coverage CFM operates throughout the UK, with over 30 locations. Applications
CFM supports oracle open applications.

over 1,000 customers in 40 countries including elecommunication service providers, Government Agencies, research institutions and universities. Fore Systems products currently constitute the

largest installed base of LAN Solutions. Geographical coverage International

Applications

Local and wide aree networking PeopleSoft UK Ltd

Apex Plaza, Reading. Berkshire RG1 1AX Tel: 01734 522 000 Fax: 01734 522 001 Company Description
PeopleSoft develops and markets PeopleSoft Financials, PeopleSoft HRMS, PeopleSoft Distribution

rurancais, reopiesori Hirus, Peopiesori Distribution and People Tools, a powerful application development and customisation environment. PeopleSoft combines graphical user interface, relational database technology, and client/server architecture to deliver superior product functionality and technologically innovative applications, with the best customer service in the business. Hardware
IBM, Digital, Hewlett Packard, Data General, SUN, NCR.

Coverage Fortune 500 and Fortune 1000 Applications
PeopleSoft Financials, PeopleSoft
HRMS, PeopleSoft Distribution,
PeopleSoft Manufacturing.

41 Government Group

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Peritas Ltd

Beaumont, Old Windsor, Windsor, Berkshire SL4 2UP Tel: 01753 868181 Fax: 01753 841775

Company Description One of Europe's largest consultancy and training organisations, Peritas provides: information systems training; multimedia consultancy/training; human development consultancy; change management; skills training; training venues;

Geographical Coverage 46 Workforce World-wide

turther information.



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Company Description
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Applications

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over 45,000 network clients to date.

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LANkind have more Master CNE's than any other

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Bodet Limited Unit 4 Sovereign Park, Clevelend Way Hernel Hempstead, Herts HP2 7DA Tel: 01442 234141 Fax: 01442 234345

Company Description Bodet offer comprehensive solutions to time and trendance processing with a range of computerised/stand alone systems. All systems interface with various payroll/personnel softwares. Management Reports on manpower/absence/eccess. Bodet also manufacture office and industrial clocks including digital world mutti time-zone displays. Geographical Coverage UK/Europe Applications

SOFTWARE MARKET REPLY SERVICE

Flaglower

Company Name: Position in Company:

Telephone Number:.....

7 Scala International

8-11 Comshare

12 DB World

2 FaxBack Limited 3 Systems Union Limited 4 KAI Computer Services Ltd. 5 Visual Image Dynamics 6 Icom Solutions Limited

13 Movex (UK) Limited 14 Lawson Software 15 UK ITSEC Scheme 16 The Hunter Group 17 MR-Data Management Group Pic

18 Minerva Industrial Systems Pic

20 ACL 21 SSA 22 International Business Systems 23 WorldPro Software Limited 24 Pegasus Software Ltd.

19 FilePlus Europe Ltd.

32 Elan 33 Revelation Software 34 First Information Group 35 Fore Systems Inc. 36 Gandalf Digital Communications Ltd 🗓 37 X-Net Ltd 38 Tel-Me

39 CFM Group Ltd 40 PeopleSoft UK Ltd 41-42 Government Group

26 Heroix Corporation Ltd

29 Netsoft International Limited

27 Tactician

28 LanOptics Plc

30 Apex Group

31 D.C.(.S. Limited

43 LANKING (UK) Limited 44 Peritas Ltd 45 Staffware Plc 46 Bodet Limited

25 Software 2000 UK

training facilities management.

Please ring 01753 851483 for



Staffware Pic

Fax: +44 (0) 171 262 3958

general office applications.

Hardware Compatibility
UNIX servers, Windows NT client/servers, support for character terminals, Windows 3X and 95 and AppleMac clients, OS/2 in Q1 '96. Geographical Coverage
Worldwide - Europe, the Americas, the Middle and

> 1-450 employees single/multi site. Front £585 WORKFLOW

Workforce Management

Bodei

Enterprise intelligence systems: Data access and reporting tools Reward offered for inside information

Employees want computers to help deliver insights, not just mere numbers

uterprise intelligence systems. EIS - now re-christened since their first outing as executive information systems - exist so that business users can get their own insight from manipulating the facts and figures.

The old-style EiS presumed that the view from the top needs more insight than anyone else's, and more belp getting it. That is a dangerous assumption, according to Mr Nigel Pendse, principal of consultancy Ol-AP solutions, and co-author of the OLAP (Online Analytical Processing) report by Business Intelligence of Wimbledon.

"EIS for executives was discredited for two reasons," says Mr Pendse. "It was based on the hypothesis that if senior executives had access to data. they would do their jobs better. It was flawed, because that's not how they spend their time - and they tend to rely on people and opinions, not facts and

Even if true, the double problem was overcoming the technology: the IT people thought a lack of keyboard skills indicated a lack of intelligence, and produced what I call patronising systems."

Heace, argues Mr Pendse, the change from E for Executive to Enterprise or Everyone's in the acronym, EIS, Once the scale changed, from a few users in the boardroom to hundreds of potential users, the EIS price-tag also hecame unrealistic for a simple information system.

Eventually the penny dropped that hand-crafting elaborate screen displays was a waste of time; screen displays were not an issue for the people who turned out to be the real users, whether executive or otherwise. The emphasis changed to getting hold of the data," adds Mr Peodse.

"Data turned out to he the real issue: getting hold of it and making it consistent, and delivering it to the right people. The key is automating that entire process," he says.



Software at Work

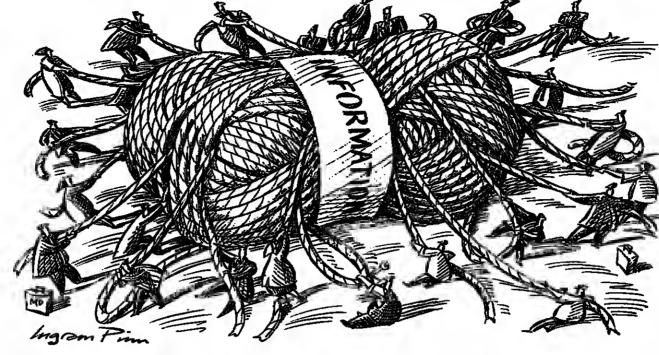
How enterprise intelligence systems help to identify new business opportunities

The trouble with historical data, be adds, is that the company structure will certainly have changed, and the level of historical detail available may not be adequate to re-state the history in a form compatible with the current structure. The new-wave merchants of

"data warehousing" tools have certainly seized on data cleans ing as a significant activity. Mr Ram Srinivasan, product director at Los Gatos-hased Red Brick Systems, identifies five distinct components of analysis access and reporting -"users need to get data out of operational systems, cleanse, scrub, reconcile it. The husiness user accessing the data warehouse and asking ad-hoc one-off queries is at the other end of the process".

Red Brick participates in the middle, grasping that data and loading it into the data warebouse database in an overnight window - "an example might be a drug store, updating the day's Epos telectronic point-ofsale) transactions. We help manage data and provide connectivity".

Whereas the old-style EIS systems were delivered to consumers, the data warehouse



approach is to provide users with a query tool which allows them do it themselves.

In the opinion of Mr Pendse, the difficulty is getting the balance right between tools for experienced computer users,

Data analysis: Towards the information suite

and giving novice users access to a simple tool - "some of the vendors got it wrong by making it too complicated, and others got it right by pitching it as a simple level, suited to an enormous market. In my opin-

TM/1 from Simper Corp. and Cognos with PowerPlay, which now has over 100,000 users". larger market hy keeping it simple - without heing trivial

lon, Arbor got it right, so did

hut it builds excellent systems. The holistic approach is to have lots of features. Cognos is to keep it simple".

The balance between simple

and powerful is no easy act. SAS Institute, whose SAS System is one of the most sophisticated analysis tools available. has just launched a financial modelling suite aimed at achieving the right balance.

Its previous EIS suite was dismissed by Mr Pendse as being for "idiots or programmers - with nothing in between". The new approach guarantees a rohust application, which will nevertheless allow the user to cruise for information and refine queries in the process known as "data mining".

Another interesting development bas been the addition of "ElS-like" extensions to accounting auites, such as D&B's Smartstream and Tetra's Chameleon CS3 and Legend products. Mr Tom McDonagh, product

marketing manager for Smartstream, says that decision support, OLAP, and EIS-like facilities were central to the

Smartstream strategy.
"We were criticised for being slow to market with clientserver solutions, hut we did it whereas Holos, from holistic. right because we built a com-"is labour-intensive to build. mon architecture, and we huilt workflow into Smartstream from the start: that's a bandwagon others are now keen to iump on.

"The common applications architecture we use supports all the core process, but the desktop interface integrates images with text, spreadsheets and all other components of

This last idea, of introduc an element of sharing and distribution of the data, could not be further from the original exclusivity of the Eis. Yet it has retained the elements of disparate sources, and different

' laquiries

M. S. A. S. J.

formats. It is this ability to give the full overview that makes the data warehouse so alluring a consolidation of data from different sources, with powerful search and retrieval tools which allow the user to trawl and explore correlations:

"Business and IT are really acting as one through the data warehouse, which is why it has caught on so fast," concludes Mr Ram Srinivasan. "Management systems allowed people to automate activities in isolation, creating islands of efficiency. This approach turns the picture upside down, connecting those activities so you can look at the situation from the customer's point of view. It changes the basis of competition, so that IT has a wider role in identifying new hostness opportunities.

New ways to extract key business

Companies need more software tools to cope with increasing volumes of information. They may even get them in suites

s competition becomes more intense, the Lamount of information available is increasing dramatically. Organisations are going to need to analyse and exploit larger volumes of information more effectively than their competitors.

Users may already have Information Enterprise Systems (EIS), On-Line Analytical Processing (OLAP) servers, data warehouses and query tools to provide them with business intelligence, but these are not going to be enough. OLAP servers provide an interactive multi-dimensional view of data, using powerful analytical functions and can be accessed by a variety of tools, including spreadsheets and

A whole range of informa-tion tools already exist in speclalist areas and they are going to he used more widely in conjunction with existing tools. These will include data mapping, data visualisation, data mining, neural networks, intelligent agents, text search, busiuess rules and others.

Desktop mapping software provides a graphical view of It allows users to find new

data, superimposed upon a digital map. Microsoft says that 90 per

cent of corporate data already has a geographical dimension, such as an address or telephone number. This can be converted to latitude and longitude which can now be stored hy relational databases. This, in turn, allows users to

explore the business environment geographically, comparing data in relation and prox-All this can bring a new

vision to the underlying data.

many customer-sites are within a hundred miles of a factory. Integrating external demographic data can show sucb information as local market sizes and penetration.

ata visualisation tools provide a three dimensional graphical representation of corporate data, showing relationships and relative sizes. Users are able to navigate through a threedimensional view of their data by steering with a mouse. This shows vertical histograms and lines which show linkages to further analysis.

By following the linkages, data visualisation makes it

easier for users to understand the relationships within different parts of the database. They are able to gain a better overall understanding of the structure of their data and therefore the husiness environment which it represents.

Data visualisation may also include data mapping. Microsoft has recently demonstrated this as a future function in Its Office suite.

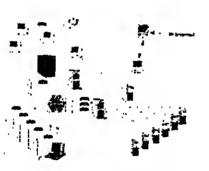
Alternatively, data mapping may show a visual picture of where information lies physically within an organisation, allowing users to identify sources of information or related records.

Data mining tools allow users to examine large yolumes of numerical data to discover hidden patterns and cross correlations. These would he difficult or impossible to establish using normal queries and analysis techniques. They differ from traditional tools because the user does not know what question is to be answered.

The main technologies used are genetic algorithms and neural networks. Genetic algorithms establish pattern rules and decision trees from the

Neural networks are compnter programmes which can be said to work in the same way as the human brain.

An AS/400 Advanced Series Solution



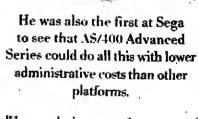
is a client/server network that sends sales data throughout the Sega empire instantly

Behind Bill Downs' success in keeping Earth safe from alien life-forms



and the ability to add more power at a moment's notice.





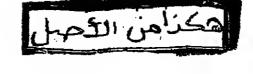
B hen your business greats from zero pounds to seven hundred and fifty million pounds in fice years, choosing a client/server system that can keep up with the growth is pretty important. Which is what Bill Dearns of Segulus found with 48/400 Advanced Series.

"In five years, we probably would have ind two or three different business systems if we had started with something that didn't scale as easily as 48/100," says Bill, "None of us had the ideo we would great as fust as we did."

Bill has his AS/100 Advanced Series running the entire lusiness. He's using it tapencess orders and schedule delivery to 20,000 retail stores avernight. He has his company's PCs, Apple Macs and Siliran Graphics workstations rouning aff it. And his 48/100 Advanced Series does all this with a technology budget of less than two-tentlis of one per rent of revenue, and with minimal support staff.

If you il like to see how you run manage busite growth at lower rost with 459 100 Advanced Series, call your local IBM dealer, Or witt our home page at http://www.as-100.ibm.rom

Solutions for a small planet



Software applications

Hidden business patterns revealed

Continued from previous page:

which is usually poor at complex arithmetic but good at recognising patterns in incomplete data.

Neural networks are models of the buman brain which can be trained, rather than programmed. They are presented with actual data, from which they are able to recognise pat-terns in data and convert these into a business model. This model reveals the hidden pat-

The model also allows applications to be used outside data mining to make judgments and forecast events, which are both very important aspects of decision support. Neural networks do not replace conventional programmes, but augment them and hybrid systems are being developed.

Inquiries

 $\mathcal{F}_{A, \{i\}}$

Another means of coping with large amounts of data is the use of business rules in generating more complex and powerful queries. A normal query would only select data hich fitted strict criteria and display it as a simple list. However, business rules can be used to provide weightings and preferences. The query would then search data outside the original strict definition and produce a list ranked in order of preference.

An example might be a traditional query of customers with turnover of more than £5,000 in the last three months. The use of rules could include high in a ranked list of importance customers who spent £10,000 in four months, along with customers spending £4,000, but in the last month. This could provide a far more useful answer than would be generated by a traditional query.

Managers are going to need sophisticated text search tools to read documents and identify and prioritise what is relevant to them.

Originally developed for the CIA, this technology allows managers to build up a complex definition of their areas of interest in English language terms. The software reads the text and produces a list of docorder of relevance.

Intelligent software agents are needed to search relational, multi-dimensional and text da ahases for user-defined exceptions and alerts and report them to the user in any format they choose. These agents run constantly or on a scheduled basis, without user initiation and may include text search and neural networks. They learn from the user what is relevant or important to

them as they are used. Newcomers to the EIS and OLAP market are appearing and established companies. such as Sybase and Business Objects, are developing new OLAP products. They are trying to bring better technological solutions to the market.

Intelligent agents

The traditional vendors of information applications, such as Cognos, Comshare, Oracle's OLAP Division, Planning Sciences and Pilot are competing hy extending their product ranges by emhracing these new technologies. They are now offering intelligent agents, data mining, data visualisation, desktop mapping and neural networking to their users alongside their existing information products.

It at unreasonable to expect users to evaluate niche products and integrate them, whether themselves or with consultants.

Leading vendors are in an ideal position to integrate newer technologies and incorporate them into their applications or market them as easy to use complementary tools. This way, users should be able to use these new technologies to reap additional business intelligence from their ever

increasing data volumes. Wa have seen a market consolidation process start with Oracle and Informix purchasing EIS and OLAP companies. This trend allows leading vendors to provide an increasing range of information tools to their customers. This could be harmful to users if the integration between products mada them proprietary. However, organisations such as the OLAP and Metadata Councils should prevent this by enabling different vendors information tools to work together.

There is a logical outcome to this 'one stop shop approach'. Just as users took to personal profestivity software suites, so we might see the introduction of information suites, with a range of integrated tools for

Reinsurance applications

By Claire Gooding Better ways to assess risk

How an enlightened international company uses its intelligence

he US-owned Employers' Reassurance inter-national is the third argest reinsurance company in the world. Its latest IT innovation – an information delivary' system that channels data from all over the world - took the unusual route of commissioning a espoke system using 'intelligent' techniques to ferret out relevant data.

Well-known insurance agents and companies who specialise in life insurance are the main clients for Employers' Reassurance's service. A large proportion of its European business takes place in the UK, through its City of London-based headquarters, but the company has offices in Germany, France, Denmark, Tokyo and other financial centres, it works through agents and subsidiaries in the Middle and Far East, South America and elsewhere.

This far-flung network poses specific IT challenges, hnt more important is the core activity of consolidating all the data from different aources, and assessing tha degree of risk inherent in the

"Our client-companies regularly send us information at the end of the month for us to reconcile the data and figures," explains Tariq Shafique, a business analyst for Employers' Reassurance. "It was all coming in different structures, and we found that they were finding difficulties generating the data to meet

Mr Shafique set out to look for a system that would ease the flow of Information between clients and within Employers' Reassurance, but also be highly adaptable and easy to use for the clients themselves - "we set up a pilot project, in July 1995, to improve the process for the customers, and decided to start in the Middle East, where there seemed to be the most problems. The Oman Insurance Company was keen to solve this difficulty, so we started with them. The mix of tools they had - word processing and spreadsheets and small PC-hased databases simply gave no structure or

well-known management consultancy as an expert on business process re-engineering.
"We had to analyse what

needed improvement, and look at their business practices. It took time to develop to the level of complexity needed - the problem was bigger than just looking for inter-



Tariq Shafique, business analyst: We worked to a strict deadling on a fixed-price contract'

rogation tools: we needed a tool that provided MIS and EIS-like functions, but which also added real intelligence to the data. The resulting applications would be used at the core of the company to run the life administration." Employers' Reassurance

looked at a number of tools for the development of Microsoft Windows-type applications, including, PowerBuilder - "every tool we came up with required a lot of specialist development skills from programmers who knew the business; that simply wasn't an option, because of expertise and resources," says Mr

Flexibility

He spotted a Software At Work story in the Financial Times about Horizon, a Leicester-based software house, doing very similar flexible reporting on research in the medical field.

"We realised that it could he valuable experience for us." says Mr Shaffque, who approached Horizon for an estimate, on the basis of using lts Safena software development tool.

"The people in Oman wanted a system up-and-running in January. Not only was Horizon's estimate half the Fortunately, Mr Shafigne's cost of the closest competitive

own experience included work bid, but they hid within timein the region with a scala and for a fixed price with a guarantee for zero pay-

ment if they didn't meet the

deadline. Other companies

were quoting a year, for much more basic reporting than we needed." Horizon's "secret weapon' was a tool called Safena Programming Techniques, which uses Artificial Intelligence (Al) methods. Safena stands for 'structured Al flexible

axtendabla neural advanced programming, and has been used in medical, accounting retail, insurance and banking sectors. According to Gian Pavlo Benedatto Serra, Horizon's director, the company has been investigating Al since its earliest commercial days in the early 1980s, and Horizon has always built AI into its turnkey systems. Mr Shafique says: "For us, the benefit is tha improved

management of the data, and we now know that whenever wa request certain information, in whatever order, we know we'll get lt, with 99 per cent accuracy, and in the right format." Even the fixed-price con-

tract worked - "they just got on with it, and we heard nothing until just before Christmas, when I called up the Oman Insurance company for a progress report. Mr Khan of Oman Insurance said they were up-and-running before schedule, and ha was very happy with the way it was working."

Remote working poses no problems because Horizon also has telecom experts. According to Mr Shafique, both and his Omani client now have a custom-huilt application, with data entry tailor-made - "anyone can process and get the information they require, whether at clerk or managing director level. There is a flow of information between the users, set up to reflect the client's specific practices.

"That's the power of it. because it can be adapted to any company, and it gives them a forward growth path. There is a flow of information between different 'processees' and individuals. This makes if a management tool, with audit trails and back-tracking that's very important in our business whare we have to trace back a bad investment

Employers' Reassurance now plans to implement a global data network, adapting the application to each client's needs.

M Housing association appplication

Slicing and dicing the data

A new reporting tool can manage arrears and match tenants and accommodation

nformation about vacant properties and unpaid rent is critical to the business of Northern Counties Housing Association. With more than 18,000 properties on its books, Northern Counties is one of the largest housing associations in the UK, writes Claire Gooding.

It chose IQ/Vision software after an assessment of the information delivery systems available. Now, 57 of its 300 employees use IQ as an everyday way of creating their own

tions, Northern Counties builda or renovates properties and then rents them out for domestic occupation. It is unusual for housing associations to have such a large stock - few associations manage more than 10,000 proper-

Until 1988, bousing associa-tions typically had 80 to 90 per cent grants, and they still work closely in partnership with local authorities in providing homes. Local authorities have the right to nominate who will occupy 50 per cent of the prop-

Northern Counties has to manage its resources very carefully. Only 45 per cent of its grant comes from the government-funded Housing Corporation. In addition,

receives funds from a variety of banks and building societies, including the Bank of Scotland, NatWest and Abbey

National. Northern Counties' income also includes a £50m credit-enhanced bond in January 1995, the first of its kind in this mar-

"We are under a lot of pressure to manage our finances effectively," emphasises Lisa Burns, Northern Counties' director of corporate services. "We need all sorts of information to help us manage our Investment. As part of our

Like other housing associa-

Lisa Burns, director of corporate services: 'We have to manage our resources very carefully strategy, everyone will have a

PC on their desk. The company culture is moving towards people doing their own secretarial and administrative work via Microsoft Office." Ms Burns has overseen the implementation of the new

became the standard in-house database in that year, running on a Data General Avion. Software includes the Oracle Financial and HR Software applications, as well as the

Housing Management pack-Having created an "IT culture" of independence and flexibility, Northern Counties recognised that Oracle's

do-it-yourself reporting tools demanded a bigh level of expertise from its staff, who were still on an IT learning curre. Qualities high on the shopping list for an enterprise-wide reporting tool were user-friendliness, a good screen interface,

and the ability to keep building ever more complex queries beyond those first invitingly simple reports. Northern Counties was looking specifically at EIS tools such as Comshare and others, but was impressed by the IQ's

demonstration of its recently acquired Vision product, which showed the right mix of tailoring and ad hoc facilities. Typically, Northern Counties

managers need to see the arrears due on a daily basis, and be able to "slice and dice" the information so that it can be assessed on various factors soch as the percentage of arrears against rent debit, the proportion due in each geographical area, and the local nanagement patch. The director of housing man-

agement services is one of the most enthusiastic users of the system. He uses a tailor-made report (built in-house) to see

taken since 1992. Oracle and to check the stage reached in the process of recovery. In serious cases this might mean a notice to seek possession. Like any landlord, housing associations can evict per-

sistent defaulters. "I can sit

and run off the top 20 perform-

ers in terms of arrears-chasing - and the bottom 20," he says. By using lQ/Vision, users can delve into the information on properties and tenants. Vision refers to "cubes" of information, a simple way of describing the way users can combine data to view and ana-

lyse it. IQ has built what Ms Burns calls a "briefing book", a sort of viewfinder of essentials which are the starting point for the majority of daily tasks.

"My own style is to manage by 'traffic lights' and hot spots, looking at the urgent items first, because it's possible to go from there down to detail on any cell."

Highly visual

lQ's tools work with a variety of databases. The lQ Vision software it is using with Northern Counties goes a step further than mere access and reporting. It provides a highly visual, EIS-like presentation of facts, instantly comprehensible on screen or paper, using 3D effects created via Visual Basic. "It's given us access to the

information in our Oracle datsbase at the click of a mouse," concludes Ms Burns, "It is a very powerful tooi and we believe it provides us with the competitive advantage we

By Claire Gooding

■ Overseas Development Administration

Multi-dimensional solution

How software helps sort the facts on 10,000 aid projects

The Overseas Development Administration runs Britain's overseas aid programme, spending £2.3bn annually. Some information about its many projects is kept centrally, in the management systems at its London headquarters.

Mncb more information is kept at the locations of the individual projects themselves, on local PCs, portables, or in systems to which the ODA has no on-line access - or even on

"Our users were coming to the IS department wanting the old 'Nirvana' of end-user reporting," explains Mr Brian Hammond, head of the information systems department.

"The concentration had been on getting information into the system rather than making it possible to report on it: users were demanding ease of access, hut they also wanted better ways of presenting and inter-preting information."

When Mr Hammond took over the information technology department 10 years ago, ha had two rules: "No fanfold paper and no Cobol". He introduced Data General minicom puters, and chose a 4GL approach to building the core

"We've been Cognos customers since 1986, and built our core applications for integrated management in PowerHouse, covering accounting, loan management, overseas payroll, and other applications. "We're currently migrating

to Hewlett-Packard HP 9000 under HP-UX Unix and one of our aims in upgrading is to improve both the flow, and the presentation, of information," In April 1995, the Oracle

database became part of the ODA's strategy, along with Cognos' Axiant, a graphical user interface for Cognos tools. But that did not solve all the problems.



One of many aid projects; £2.8m will be used to combat industrial pollution in Shanghai. British experts ed by the ODA will work with Chinese authorities to help ensure a safa water supply for the city

The main issue was multi-dimensional data - "the spreadsheet did not meet the needs of informing us about different countries, different timescales, expenditure versus forecast. and the various economic sectors - health education, agri-

culture," says Mr Hammond. We needed to keep in line with the ODA's policy objectives, issues like Good Governance and Children by Choice, which meant that we had to be able to score each of the 10,000 projects against those objectives, and make that information easily accessible."

Cognos presented its new business intelligence tool. PowerPlay, as a solution. "Our users had to be able to

go from a high level of aggregation to dig right down to detail "PowerPlay's information

'cubes' offer the ability to do that, and to do it in any number of dimensions - something to which the users could relate immediately," says Mr Ham-

Using the Cognos tools PowerPlay (for the cubes) and Impromptu (for end-user reporting), ODA created a pilot project called Pims (Policy Information Markers). This produces graphics and tables on the projects, including forecast and expenditure information. Results are networked to ally, as many as 1,000 people in the 10 overseas offices using

"It is impressive that we can update the cubes and compress them significantly - 40MB database compressed to 1MB - to send them overseas sites." The pilot has been achieved for a cost of £50,000. Mr Ham-

mond anticipates that eventu-

the ODA may have a use for the Impromptu tools - "performance is not an issue because it's a PC-based tool". Nevertbeless, the ODA is

still looking at other EIS-like tools: "We're surveying tha market to ensure that this is the right way ahead." concludes Mr Hammond.

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FINANCIAL TIMES Telecoms & Medio Publishing

Benefits of foresight

BAT has installed a new system which will squeeze

intelligence to the data".

BAT Industries

inefficiencies out of the supply chain his month BAT Industries will complete the

chain management system based on Holos software. which is produced by the UK company Holistic Systems. The £1.5m project has taken two and a half years to come to

installation of a supply

BAT hopes that its new Foresight suite of applications, built around Holos, will match supply and damand more closely. Its aim is to cut out losses of stock that has deterio-

rated due to overstocking and losses of business due to understocking. Mr Brian Atmora, BAT's business area manager, says the company is confident that it can save at least £820,000 per year over the next two years.

mainly by reducing problems of overstocking. The system should improve tha efficiency of the international company's UK factory at

Southampton. Our belief is that through better planning we can manage our cost of production better," Mr Atmore says.

The international tohacco brands involved include State Express. Benson and Hedges and John Player Goldleaf, as well as US names such as Lucky Strike and Kent. Most of the UK company's export business is expected to be handled by the Foresight system.

The new system runs on an IBM RS/6000 Unix workstation at Southampton. If it proves successful it could also he installed at soma of BAT's other factories.

In 1993 consultants at Price Waterhouse drew up a list of or decision support system around 20 possible suppliers of (DSS), providing information

what would today probably be described as online analytical processing (Olap) software suitable for use in the Foresight system. Most of the products, it was

found, could handle sales forecasting but could not provide multi-dimensional modelling, according to Mr Atmore. Some of them were not then available in a Microsoft Windows version, a requirement of

BAT. Holos and Kenan Technologies' Acumen were shortlisted. "Wa needed to be able to apply business rules and view the information in at least six different dimensions," says Mr

"Holos was the only product which at that time was robust enough to allow us to undertake the project." Holos was chosen to run on top of a more conventional

relational database management system from Sybase which was judged to give the fastest response time (the target one-sacond rasponsa to users is still elusive.) BAT spent six months establishing the business case for making the investment. There were no reference sites which

could be visited and BAT was

aware that it was going out on

a limb with unproven technol-

ogy. It therefore put a lot of effort into assessing the feasibility of the scheme as well as ensuring that the users sup-The cost of the Holos software made up £250,000 of the £1.5m project cost, the RS/6000 and other hardware around £150,000 and the rest consisted

tion costs. A large amount of bespoke programming - larger than expected - was carried out by the Price Waterhouse team to tailor the system to users' local requirements and make it as user-friendly as possible. Poresight comprises an exec-

utive information system (EIS),

of development and installa-

on the company's operations worldwide. There will be users in tha UK, US, Taiwan, Hong Kong, Singapore, Thailand, Saudi Arabia, Dubai and Mar-Sales and stock information

will be used to calculate future sales forecasts and production requirements so that stock is maintained at the right level. with a direct electronic link to tha manufacturing system called Business Planning and Control System (BPCS) supplied by Systems Software

Associates (SSA). Implementation of Foresight began in July last year and has been rolled out to users around the world in stages since then. Around 120 territory managers, regional export managers, production planners and customer services staff will use the sys-

They will access it across a network managed by the UK company Scitor International Telecommunications Services. Foresight replaces a number of different regional systems, some run on spreadsheets, others paper-based. There has been no company-wide supply

chain management system

Holistic Systems is a privately-owned company with its bead office in London and other offices around the world. It is a leader in client/server EIS, mainly using Unix workstations as servers and Windows personal computers as

900 sites worldwida and the company is growing at 40 per year, with revenue of around Holistic Systems faces inten-

Its products are used at over

sifying competition and its position is likely to be increasingly challenged, notably by Oracle's takeover of IRI Software's EIS products, as well as by other fast-growing vendors such as Planning Sciences.

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Few systems

M Network management

A moving target

The threshold of a significant change

cated high speed digital links.

The growing pervasivness of networking has encouraged

vendors such as Cisco, which

originally focused on the big

corporate market, to launch products aimed specifically at small- and medium-sized husi-

According to Datsquest, the

market research firm, the mar-

ket for internetworking prod-

ucts aimed at the mid-tier and

small office/home office market

is estimated to grow from \$5bn

to \$17bn hy the end of the

Supporting this, a recent sur-

vey commissioned by US

Robotics, the modem manufac-

turer, revealed that 80 per cent

of UK-based network managers

rate dial-up remote access and

Wan connectivity as a priority

he rapid growth of local

ent/server systems and

internetworking bas meant

new challenges for IT depart-

ments used to dealing with

centrallsed mainframe-hased

Faster PCs and network

servers and larger multimedia-

rich files already mean that

many corporate networks.

based on traditional technolo-

gies, are close to breaking

point. As a result, there is

increasing interest in

high-speed networking technol-

ogies such as Fast Etbernet

and Asynchronous Transfer

Mode (ATM) capable of carry-

ing high volumes of mixed

systems and applications.

area networks, cli-

issue for the next 12 months.

nesses and teleworkers.

Powerful networks will increasingly unlock corporate 'knowledge' and move it to people who can use it effectively and creatively

be arrival of the desktop personal computer in the early 1980s changed the corporate computing landscape for ever hy shifting computing power from the mainframe and the central IT department to the end user.

Quite soon, bowever, the limitations of systems based around islands of computing power became apparent ushering a second desktop revolution as stand-alone PCs were hooked together to form Local Area Networks (Lans) and then Wide Area Networks (Wans) to share applications, data and peripherals.

In some companies, distributed computer systems and client/server networks have replaced mainframe systems for many applications, including those "mission critical" processes oo which organisa-

tions depend. Among the primary beneficlaries of this shift have been hardware vendors such as Compag Computer, IBM, Digital and other hardware vendors who have developed high-powered machines for the \$11hn-a-year PC-based server

Meaowhile. Novell's Net-Ware bas become the undisputed market leader in networking software with more than 60 per cent of the global network operating system market embracing 40m users. At the same time, it faces competltioo from rivals including Microsoft Windows NT server. IBM Lan Server and Banyan

Local area networks bave been interconnected using devices such as routers, hubs and hridges to form enterprisewide computing systems since the late 1980s.

As a result, the Lan internetworking market has become a key focus for network hardware suppliers such as Cisco ~ the worldwide internetworking data, voice, graphics and video.

product market leader - 3Com, and Bay Networks. Companies are using a wide variety of sites and "teleworkers" operating from home. These facilities range from dial-up modem connections over ordinary analogue telephone lines to integrated services digital network (ISDN) connections and dedi-Computing

> Route to leaner, smarter operations

Other issues facing 1T departments include network managing the network and network security - a key issue, particularly with the growth of mnections to the Internet

Many now argue that the growth of Internet commerce particular is ushering in another profound change as artificial boundaries between internal corporate networks and the wider external world

"The distinctions between Inter and Intra-networking are hlurring," says Mr Nigel Oaklev of 3Com. This new computing model has been dubbed "network-centric computing" hy some industry participants. including Mr Louis Gerstner, IBM's chairman.

He believes its advent represents an important opportunity for IBM because the implied requirements for complex network management, systems management, heavy transaction processing, massive databases, powerful scaleable servers and systems integration play to the US computer group's strengths.

'We are excited about network-centric computing because if you look at it from the customer viewpoint, they are not really interested in huying it plece by plece,"



IBM network-centric computing in Europe. "We think we ve some leverage here."

Similarly, Novell argues: The value of information technology is rapidly shifting from the power of host and personal computers, to the ahillty of these systems to connect into the vast resources of the net-

"Businesses are using the network to run leaner and smarter, deploying information resources more efficiently and communicating more effec-tively both within the organisation and externally with customers, partners and In his keynote address to the

Comdex show In Las Vegas in November, Mr Gerstner said the industry was at "the threshold of the next major phase of computing", driven by high-speed. high-handwidth networking. The IBM chairman argued

that, despite its advantages, "the promise of distributed computing has not been fully System incompatibilities

mean it has been harder to connect individual devices while client/server computing has also been far more expensive than anyone imagined. "It is expensive because of

messen, general manager for the complexities and also because a lot of customers especially large organisations

are waking up to the fact that they have put the equivalent of a 1985 mainframe on the desks of every one of their clerical workers - with all the maintenance, backup and service costs now multiplied by thousands, and in some cases tens of thousands," he said.

We have come to understand that client/server computing is, io fact, not a full-hlown phase of computing. It is really the leading edge of what will be the next phase: network-centric computing."

r Gerstner argued that, until recently. that, unto the communications technology had been lagging developments in other fields. PCs and servers have become enormously powerful, hut they communicate through the equivalent of soda straws," he quipped. "However, that is now

changing. Very powerful tech-nologies, including ATM, will be to the next phase of computing what the microprocessor was to the current phase."

More controversialy, Mr Gerstner argues that once the communications link between the PC and the network is cheap enough, fast enough and

has virtually unlimited bandwidth, "why not migrate a lot of the functions that currently reside inside the PC to the network - the applications, the data, the storage, and even some of the processing.

However, be concedes that, "the network-centric world will not replace the PC world entirely any more than the PC world replaced the mainframe world entirely."

At the moment, IBM argues. corporate 'knowledge' is spread across incompatible computer systems: it is distributed across personal computers in various departments, but powerful networks can unlock this knowledge and move it to people who can use it effectively. This drives shorter cycle times and allows teams of people to hecome more productive and creative.

"As companies use networks to 'push out' to their customers directly, we will see dramatic changes in the nature of competition

"Companies that stand between a supplier and a customer will he on dangerous ground," warned Mr Gerstner. . The implications of nelwork-

centric computing, "go on and on," said the IBM chairman, "ft will transform every business, organisation and institution in

all of today's challenges, says George Black s standalone computers give way to networks.

Lhow to manage those networks effectively has become one of the industry's top priorities. The problem is how to pro-

managers can meet

vide a good service to a fast-growing number of users withont incurring fast-grnwing costs. As yet only some of the necessary answers are avail-

Solutions are required at several levels. At the most basic, network managers need to mnnitor events and keep inventories of all their technology to ensure that usage is properly anthorised and paid for. They need in form policies for upgrading hardwara and distributing new software. They need to know how well various components of their networks are performing and when they are likely to need attention.

All this is extremely hard to achieve when people are constantly adding new devices and applications to the network without the knowledge of the network manager.

Surprisingly few network managers have a firm grip on these situations. Also, there are much more elusive objectives on the increasingly prevalent multi-vendor networks than there were on isolated mainframes, minicomputers nr personal compoters.

A key issue is being able to manage machines and software spanning several different operating systems, including new nnes which may hecame suddenly popular, such as Microsoft's Windows

Managing distributed organisations is a great challenge and no-one can say they bave got all the solutions," says Jolanta Pilecka, software products marketing manager at Hewlett-Packard.

As technology is rapidly Continued on facing page

raises problems evnlving, network manage ment is a moving target - "the number one requirement is that networks must be built for change," observes Mr Pim Dale, product marketing manager for Sun Microsystems. The necessary software tools are becoming more powerful and more widely used, but

there is still a long way to go. Network managers need automated solutions to their problems because they cannot afford to hire more people to do this work. A recent survey across Europe by the UK market research company, Spikes Cavell, shows that, despite rating network management as a top priority of the compute department, three-quarters of companies employ fewer than 10 people to do it. Software

Confusion over standards is hindering progress

that will take some of the strain is therefore high on their shopping lists.

Progress in network manent technology has fallen behind the timetable which analysts such as Gartner Group were forecasting a couple of years ago. Some of the key products have not

matured as fast as was hoped. Hewlett-Packard with its OpenView and Sun Microsystems with its Solstice SunNet Manager, dnminate the network management tools market. Other important products in the field include IBM's SystemView, also sold by Digital with various modifications in its Polycentre NetView range, and Microsoft's Systems Man-

gement Server (SMS). Hewlett-Packard has now launched the first release of a new client/server version of OpenView called Network Node Manager 4.0 (formerly code-named Tornado). A secand release of the product is scheduled for March or April.

THE SECTION OF THE



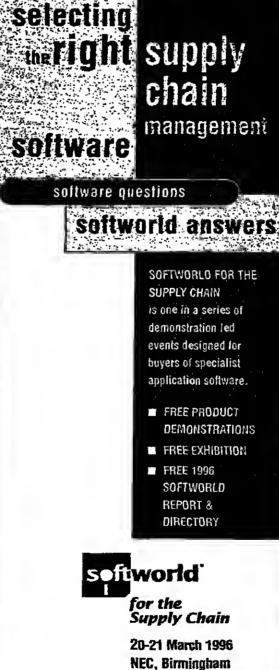
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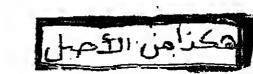
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The case for Network Computers

By Louise Kehoe in San Francisco, California

Strong appeal to new users

Lower-priced devices, as easy to buy and set up as a telephone at home, could bring the IT 'have-nots' on-line, argues Oracle, the software company

new generation of low-cost 'Network Computers' designed to provide access to the internet and online information services is expected to be launched this year by several computer and consumer electronics manufac-

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By John Kavana

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These machines, proponents claim, will significantly lower the cost of getting on to the information highway, cur-rently restricted to those who can afford to purchase a personal computer costing \$2,000

Larry Ellison, chief executive of Oracle, the leading database software company, has promoted the concept of Network Computers. He maintains that a bare-bones computer is all that is really needed for Internet access and that it should cost only about \$500.

The advent of the Network Computer represents "the most significant paradigm shift since the launch of the personal computer," says Oracle. In contrast to today's personal computers, which store programs and data on built-in disk drives. Network Computers will download all the software users need from computer "servers" via a network. Similarly, data created on a Network Computer will be stored

remotely. Software and hardware standards will shift away from desktop computers and their operating system software to network servers. This opens the possibility of several different types of Network Comput-

Network Computers will be very low cost devices with easy-to-use graphical interfaces, Oracle says. The essential elements of a Network Computer will be a high performance microprocessor, a few megabytes of memory, a network interface, and interfaces for inpui and display of infor-

Among the many different

buyers are

considering rival

Windows NT in

their upgrade plans

hen it comes to local area network operat-ing systems Novell's Netware dominates the market

with about a 66 per cent share

but this dominance is being

challenged as the demands of

client/server and enterprise

computing change, and as new

opportunities arise beyond the

traditional office environment.

are Microsoft's Windows NT.

IBM's LAN Server and Banyan

Systems' Vines network oper-

ating systems. IBM's LAN

Server is considered a good

product but is still lacking

many of the features that could

significantly challenge Net-

ware. While Banyan's Vines

bas not kept up with the

changing marketplace and is

nificant challenger to Netware with many similar features

plus its strength as an applica-

tion server. Add the fact of

Microsoft's aggressive promo-

tion and pricing of Windows

NT and Netware's market dom-

mance could diminish signifi-

Windows NT is the most sig-

losing market share.

Novell's main competitors

■ Network operating systems

that can send and receive electronic mail and selected information such as stock quotes. Desktop Network Computers will be designed primarily for browsing the internet. A new generation of cable television set-top boxes will also enable a broad range of information ser-

Oracle says it has no plans to manufacture or distribute Net-

ufacturers to bring new products to market over the next few months. Oracle stands to make signif-

icant gains, however, if Network Computers take off. expanding the potential market for on-line information ser-

The software company is developing "universal database" management software



ter' (NCI represents 'the most significant paradigm shift since the launch of the personal computer. But critics do not believe that a \$500 NC will provide enough computer power to satisfy consumers' needs

work Computers itself. The company is, nonetheless, playing a central role in bringing this new generation of products to market.

Last month, Oracle contracted with Acorn Computer, a British computer technology group, to develop "reference designs" for a range of Network Computer products.

the product is getting better

with improved file and print

services," says Jesse Berst, edi-

letter. Netware is still a better

product in what it does, points

out Berst, but companies installing NT get the file and

print services thrown in 'free'

Dataquest estimates that Win-

dows NT will bave 1.9m

licences in 1995, compared with

about 1.3m Netware licenses.

What is not clear, however, is

what percentage of new NT

Windows NT is also bound to

benefit from another trend.

Intel's new Pentium Pro micro-

processor is designed for 32-bit

software, of which Windows 95

leading PC manufacturers and

software developers, now have

greater incentives to move cus-

tomers to 32-bit operating

systems in order to justify sys-

tem upgrades and to unlock

the performance of the Pen-

tium Pro. This is another

strong reason for corporate

buyers to consider Windows

David Cappuccio analyst at

US market research firm Gart-

ner Group has a different anal-

NT in their upgrade plans.

Intel, and the Intel camp of

has very little.

users are replacing Netware.

US market research firm

of charge.

that could feed data and programs to Network Computers. Oracle predicts that Network Computers will appeal to corporate computer huyers, as a lower cost alternative to personal computers, as well as to

consumers and schools. Initially, Oracle expects Network Computers to appeal to business users as a low-cost alternative to personal comput-

which shows greater business

opportunities for Microsoft as

companies move awey from

the IBM AS/400 to PC architec-

research firm Computer Intelli-

gence infocorp, does not see a

dramatic move to NT within Netware's installed base - "we

conduct more than 30,000 user

could one day

be controlled

with Netware

phoce calls each month and

there is nothing there that shows a big trend toward NT.

Netware has about 66 percent

of the market and it will lose

market share slowly, just as

any vendor with such s domi-

nant share of the market can

expect. But prospects for sig-

nificant growth are doubtful".
Paul Cubbage, network

industry analyst at Dataquest

believes that Windows NT will

work operating system market.

belp to grow the entire net-

'Even

household

appliances

Stan Schatt, et market

Challenge to Netware's dominance

rate 'intranets', based on internet software standards," Oracle says. "The NC will peacefully co-exist on the same networks with conventional personal computers."

In schools, NCs will provide "an economically viable solution to the dream of placing a computer on every student's desk," Oracle says.
"Imagine the educational

system if every student had an NC, supported by a vast server network ... students and teachers having access to up-to-date information from news servers, the World Wide Web, other schools ... and students having on-line access to other students. The possibilities are extraordinary and most exciting."

Network Computers could also expand greatly home access to on-line services Today, about a third of US homes are equipped with a personal computer.

The Network Computer could bring the information technology "have-nots" on-line, Oracie argues. "A device as easy to buy and set up as e telephone that provides simple access to a multitude of services offers an extremely attractive option," Oracle says. .

Oracle is working with several companies to create and support the standards that will form the foundation of Network Computer networks, the software company says.

nother key player is Sun A Microsystems, the leading workstation computer manufacturer, which has developed e software development language called Java which enables the creation of application programs that can be accessed via the Internet.

Instead of purchasing application programs, as PC users do today, Network Computer users will be able to download the latest version of a Jeva

grow with the market even if

its total market share declines.

"Netware is a very good prod-

uct and as our analysis of the

costs of running networks

shows, Netware does pretty

well, mainly becauss Novell

has ensured that support per-

sonnel are well trained," Cub-

Novell has changed its busi-

ness strategy regarding com-

peting with Windows NT. Under the leadership of its for-

mer chairman and CEO Ray

Noorda, the strategy was to

take the Windows NT chai-

lenge head on. Noorda was pre-pared to spend about \$1hn to

challenge Microsoft in virtu-

ally every area of the software

Noorda's Super NOS strategy

called for Netware to become

more of an application server

with a strong suite of business

productivity applications

tightly tied into Netware. Nov-ell purchased WordPerfect for

its word processor application,

and Borland International's

Quattro Pro financial spread-sheet and Paradox database to

create a suite of business appli-

cations that would compete

with Microsoft's Office suite of

programs. It also purchased

Super NOS was abandoned

the Unix operating system.

bage says.

By Tom Forenski in Forestville, California

types of Network Computers to be used by several computer ers - "large numbers of NCs application from a remote will be two-way pocket pagers and consumer electronics man- will be linked to private corposerver, via the Internet, as needed. However, critics of the Network Computer concept, including executives at several leading personal computer software and hardware companies, do not believe that it will be possible to provide enough computing power to salisfy consumer needs for \$500. Oracle points out, however,

that video game machines such as the Sony Playstation, which incorporates a CD-Rom drive - sell for less than \$500. Similarly, dedicated Network Computers will be less expensive than general purpose personal computers, the company The costs of using a Network

Computer may, bowever, turn out to be significantly higher than for a personal computer. Users, for example, may have to pay for the use of application programs downloaded from Internet servers.

Use of such programs may also require constant eccess to e network, so users could incur higher internet access charges, measured by the minute and might also run up big telephone bills.

Moreover, Network Computer users will be dependent upon remote servers for storing their data. This raises questions about the security and privacy.

Will individuals feel comfortable storing personal files on a distant computer over which they have no control?

Whether the Network Computer can become a real challenge to the personal computer is yet to be seen. However, the lower price of Network Computers seems certain to appeal to new users. Oracle is expected to demon-

strate a prototype version of the first Network Computer this month and has said that the machines will become widely available later this

from Noorda in mid-1994. Fran-

kenberg gradually divested

Novell of the many businesses

that Noords acquired, includ-

ing Unix and putting up Word-

directly in the competitive path of Microsoft, Novell has

chosen a more realistic

approach, preferring to coexist

with Windows NT and develop

new products such as Netware

Directory Services which will

be key to winning users within

"NT is a good product and

we believe it will be very suc-

cessful for Microsoft," states

Novell CFO Tolooen. "We see a

world in which there are beter-

ogeneous networks with differ-

ent operating systems and dif-

ferent hardware platforms with Netware providing the 'glue'

Tolonen sees much bigger

business opportunities in areas

where there is no Microsoft

competition yet. With the enor-

mous growth of the internet

and large organisations devel-oping their own private Inter-

net-like networks, Novell hopes

that products such as NDS will

enable such large networks to

greatly expand the usefulness

of Netware. Novell has also set its sights

on future networking applica-

tions in the bome and within

products, such as automobiles.

large organisations.

that bluds them."

Instead of placing Itself

Perfect for sale.



M Data mining in retalling

By Martin Banks

Valuable discoveries mined from raw data

The amount of data on retailing operations is doubling each year

The till at the checkout of the local supermarket, or any other retail establishment, is now much more than a collector of money.

Today, it is a collector of vast amounts of information. Yet to date most of that information is wasted, and its value is not exploited by the retailers. The reason is relatively simple: there is (or more specifically, has been) more of it than most computer systems have been able to manage or

Yet there is real velue in such data, and it is one of the prime targets for the latest developments in database technology. This is data mining, the ability to tease out from this vast wealth of raw data information that is not known. could hardly be guessed at, yet is worth its weight in gold to

the owners of that data. According to Evangelos Sim-oudis, IBM's Director of Data Mining Solutions, based at the company's Santa Teresa facility in California, USA, data mining is the process of cantly. "A lot of the new ysis: "I see the real target of This should mean that the when Bob Frankenberg took extracting previously installs are Windows NT and NT being the OS/400 market number of Netware users will over the leadership of Novell unknown, yet comprehensible and actionable information from large databasea, and using this information to make

> "This," be said, "is a more pure version of data discovery. It is the discovery of data that is unknown and not based verifying an hypothesis that has already been created by some-

> To date, most organisations have set about examining and evalueting the contents of their databases on the basis of en hypothesis: often of the bow many people buy tomato sauce ond baked beans? variety. Data mining, on the other hand, works on the basis of using the technology - in this case using what IBM calls 'discovery algorithms' in specially written software - to discover for itself eny associations between the data,

In this way, the most unexpected associations can be found. Once found, they can be exploited to great effect. Not surprisingly, companies amongst the early adopters of data mining technology see it as a significant competitive advantage, and are therefore loath to talk in great detail, hut the oft-quoted example of what data mining can schieve is the case of a large US supermarket chain which discovered a strong association for many customers between a brand of babies' nappies (diapers) and a

brand of beer. Most customers who bought the nappies also bought the beer. The best hypothesisers in the world would find it difficult to propose this combination, but data mining showed it of one billion Netware nodes existed, and the retail outlet was eble to exploit it by moving the products closer together on the shelves.

Instead of being dropped,

According to Simoudis, there

Indeed, eccording to Wil-

liams, though Electronic Point

nother example quoted A by Evan Williams, IBM's Data Mining Solutions Specialist in the UK, involves a The development opens up retailer with a bulky and only marginally profitable product line. Data mining showed that the company's intended plan of dropping the product might be wrong, for the customers who bought it were also consistently the outlet's biggest "We don't see these as niche spenders on other products.

markets," says Glenn Ricart, senior vice-president of corpothis product has become the rate research and development centrepiece of much of the outat Novell. We see this all as let's marketing. networking which is our numare a number of reasons wby ber one business. With our companies need data mining. technology that can use power The first is the need to analyse lines to transmit data, it opens more data than is currently up a world of possibilities in scrutinised. the home so that even house-

Of Sale (EPOS) terminals collect a vast amount of data about products and customer huying patterns, the majority is still effectively thrown away by most companies. As Simoudis puts lt, "companies only analyse a small percentage of the data available, yet the amount of data available for analysis is doubling every

The second reason for data mining is the need to identify niche markets very quickly. In the fast-changing world of retail marketing in particular, the need to be able to identify a sales trend and react to it quickly is now imperative for some of these opportunities, while short-lived, can be very profitable while they last.

On the other side of the coin, as Williams points out, there is the classic '80:20 rule' of business - "this is where 20 per cent of e company's custom provide 80 per cent of the business," he observed.

"Identifying these 20% and Financial services will be

the next big target market for data mining what makes them tick, for example what products they crucial business decisions.

tend to buy during a single trip, can be very effective in maximising the retailer's investment in stock, staff and shop layout." Eveo in this last point, as

Simoudis suggests, data mining has a role to play, and IBM is already working on the linking of data mining results with multimedia store design and layout applications. This is seen by IBM as the

natural complement to the 'market basket analysis' possible with data mining, where the patterns of what else is bought if product X is bought?" allow store designers to position these associated products together in the store. With multimedia design systems, oew layouts can be

test marketed on focus groups both quickly and inexpen-Although the obvious first type is assured.

marketplace for data mining i the retail business, the technology is already starting to be applied elsewhere. Financial services and products is the next big target market, followed by the travel business.

The technology can be successfully applied wherever there are complay and subtle associations between individual products or services that are not easy to spot, but which can have a significant impact on revenues and profitability.

There will also be the need

to analyse truly huge amounts of data. Systems capable of handling up to seven Terabytes of data (about seven million million characters of information) are already being installed in the UK. To be effective, however, data mining solutions must be able to work with all of the data, not just samples taken from lt.

"There is a valid concern, Williams suggested, "that data mining can lead to an bomogenisation of retail outlets and products, where the needs of idiosyncratic customers are not considered.

"We believe this can be overcome with the powerful parallel processing computer systems now coming available. analyse Terabytes of data, so that all the data available can be analysed for possible associations, rather than just a sample of it. In this way, the minority groups of customers, and the associations that make servicing their needs profitable, can be identified."

Data mining is still very much in its infancy as an applied technology, but its potential benefits are already starting to show themselves. There are still lessons to be learned in applying, such as whether it should be e central service (where the marketing skills tend to be) or a distributed, regional service so that outlets in the regions can react even more quickly to local market opportunities and

There seems little doubt, bowever, that its long-term place in defining future sales and marketing strategies for high volume outlets of every

Dilemma for network managers

Continued from previous page:

Sun's SunNet Manager, its core product for network per formance management, has now been complemented by others in the Solstice range, as well as products from business partners, for various management functions.

Sun's Pim Dale hopes that its new Java programming language, derived from C++, which has attracted a lot of interest among internet users, will also be widely used on corporate networks.

"In a couple of years there will be many Java applications which will be much better suited to networks than traditional applications and will case the network manager's task, he forecasts. IBM's SystemView series.

formerly code-named Karat, includes the NetView network management products; they at present manage several IBM platforms and will be extended to made those of competitors. Lewis Troke, an IBM systems management consulant, says the development of

intelligent agent software will in the next year or so greatly simplify the control of multirendor networks.

Microsoft's SMS, launched in 1994, is part of Microsoft's BackOffice family of applications. Running on personal computers, it handles inventory, monitors the status of systems, distributes software and covers licensing. A new version which assists migration to Windows 95 was amnounced in August.

All of these products are still developing and it is unclear bow well they will scale up to be able to handle enterprise-wide network management. At present, they are mostly deployed in a more limited environment, awaiting the new software tools which it is hoped will enable them to provide a comprehensive solution.

The Network Management Forum tries to bring together users, manufacturers and standards bodies through its Omnipoint programme. Mr Bruce Murrill, its technical director, says that system management is at present a bigger problem

then network management the service to users. This needs a coherent method of sharing data between systems. Network management tools cannot do their job properly until this system management data is available".

rvice level agreements between users and net-work operators depend on a mass of information about system performance and availability and problem handling. Different systems report on these functions in different ways, so that very often no overview of the network can be obtained.

The NMF is seeking ways of automating more of the functions of service management in order to improve the quality of network service to users. Mnrrill complains that a large part of the industry, including many network device manufacturers, does

of agreeing standards. Another brake on progress is the number of standards standards remains.

not participate in the process

and standards promoters "the focus now is on managing. affecting network management which are not well co-ordinated.

Among the most important of these standards is the Internet's Simple Network Management Protocol (SNMP), which awaits finalisation of a second version, expected in the spring.

Other relevant sets of standards include the International Standards Institution's Open Systems Interconnection (OSI), the Desktop Managemeni Task Force's Desktop Management Interface (DMI), and the Object Managemeni Group's Common Object Request Broker, (Corba).

Microsoft, widely criticised for being "uninterested" in industry standards, is however a powerful standard-setter in its own right and sometimes able to sway user opinion for or against such standards.

Both tools developers and users are naturally hesitant about committing themselves to substantial investments whils uncertainty over future

The goal is to develop special computer chips that contain a smaller version of Netware that can be used to control or monitor a wids range of devices. This is a significant element in Frankenberg's goal

by the year 2000. A key part of this goal is Novell's Netware Embedded Systems Technology (NEST). This enables data to be sent over power lines including through transformers, which normally block data signals.

healthy niche markets such as remote monitoring of electrical power usage within bomes. And applications, such as Nestenabled cars, which would be able to diagnose problems and schedule maintenancs automatically.

bold appliances can be controlled through Netware."

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■ Network security and data protection

By Tom Foremski in Forestville, California

The never-ending journey

While computer networks continue to transform the way companies work, "the issue of network security is not a one-time event - it is a journey for ever," says a systems expert

s companies increase their use of networks internally and establish links to the internet and other external networks, the prohlems of securing their systems and data rise enormously—and there is no easy solution.

Each time a company adds a local area network, or a gateway to the Internet, or adopts the popular distributed client/server model of computing, it increases the security risk because there are more potential areas of access to sensitive information. These risks come not only from outside the company in the form of hackers, but also from within the organisation, from curious or disgruntled employees.

One of the higgest security problems in this area, has been the fact that few husiness managers have recognised the security risks or taken them seriously. Yet the number of security problems has increased dramatically over the past few years, helping to prod users and the computer industry to develop and deploy more robust security mea-

1,290 information system managers, conducted by Ernst & Young late last year, show that the security message is getting through but there is still a lot of education on the issues to he done. Almost half of those taking part in the survey said that their company had experienced security prohlems that resulted in a financial loss. For about 20 companies, the financial loss was at least \$1m.

Ahout 40 per cent of the survey respondents said that senior management awareness of the security problems was a key obstacle to better security procedures.

"Information technology and

the use of networks is causing a renaissance in the way companies conduct husiness hut this means that husiness people have to realise that protecting information assets is often more important than protecting physical assets," says Fred Jones, director of information security services at systems integrator Electronic Data

Kathleen Kincaid, director of IT Security Programs at IBM,

The results of a survey of 290 information system mangers, conducted by Ernst & coung late last year, show that lot written about security risks and the Internet for example, which has led to people calling us and asking if they might have a security prohlem."

But many companies start looking for security solutions only if they have had a problem themselves or have heard of a company in the same husiness that has prohlems. Mr Jones, at EDS, points out that it is difficult to add on security to an existing information system. Security must be considered as an integral part of the re-engineering process to he the most effective.

Even in organisations where securing networks is a priority, there are many issues that have to be addressed and the solution can be complicated with many levels of options available – "there is the security of the physical transmission, security at the logical layer, and perhaps an application layer. What I've found is that at each layer people want to secure that layer. And within each layer, there are

different alternatives for transmitting information securely," explains Ms Kincaid.

Encryption technologies and public key/private key mechanisms provide good security but there are many different ways to apply them to different parts of the information system, further complicating the

that awareness of security on networks is much higher and most computer companies have added security features to their software and hardware products. The bad news is that it is difficult to make all the different parts work well together.

"There is a lot of overlap and holes in the system security when using different products. It can be a real hodge podge trying in make it all work well together," says Jones. "What is needed is the establishment of key security standards and these have to be done on a global scale."

Jones adds that while there is work being done by industry consortia on various security

standards, progress is alow.
Firewalls are a key method
of securing networks and there
are many new products on the
market. Firewalls are hard-

marker. Firewaits are naturally ware and software systems that monitor network traffic and will hlock network data from coming in or out, based on various criteria, such as sender ID or type of data.

But firewalls are complex to

set up - for small companies with little in-house expertise, outsourcing such security measures is often the best solution. The Ideal solution is for security to become a "transparent" application - "security should not hinder the user," points out Mr Jones. "But it is vitally important that the user must he made aware of why the security is there. Staff education is a very important part of any company's security proce-

Some products, such as the groupware software Notes, from Lotus Development, offer users a simple option to encrypt data by checking a hox. Some security systems require users to memorise a list of passwords for different

applications. Passwords work well hut they can also easily become a key weakness in a security system. Often, users do not change them regularly, or they use simple and obvious passwords such as their birth date or the name of relatives. Passwords are sometimes even posted near computers.

Encryption technologies lie at the heart of many security measures. These use powerful mathematical operations that make it virtually impossible for an eavesdropper to decode an encrypted message nn a network. IBM's Data Encryption Standard and RSA Data Security's public key encryption technology are good examples of reliable and secure encryption technologies.

technologies.

But the US government limits the use of powerful encryption technologies on the basis that it will make it more difficult for law enforcement agencies to monitor criminal activi-

ties.

For example, it is illegal to export certain encryption technologies ahroad – a key problem for multinational companies which are unable to use the same encryption technology across their entire enter-

The issue of securing networks is also one that is never solved completely. Ms Kincaid makes the point that "security is not a one-time event - it is a journey for ever."



Dealers on the Hong Kong Stock Exchange: security is becoming vital in the financial world, where 'firewalls' are a key method of securing networks. Firewalls are hardware and software systems that monitor network traffic and will block network data from coming in or out, based on various criteria, such as a sender's ID or type of data

■ Global network service

Lotus is first to use BT's new public servers

British Telecom has just set up a global public server service in partnership with Hewlett Packard, writes Rod Newing.

Packard, writes Rod Newing.

British Telecom's global communications network will allow it to provide a wide area network service. Hewlett Packard will provide BT with the servers, together with services and expertise, from a "server farm" in Bristol. This will start with between 10 and 20 HP9000 servers, with more being added as demand increases.

Lotus Development Corporation, an IBM subsidiary, was a key participant in establishing the new service which is being launched this month.

This move is part of its strategy to extend the sharing of information between companies and individuals through Lotus Notes Public Network Service. The facility is a special version of Lotus Notes designed to meet the scaleability, reliability and administration requirements of public networks, including billing services.

Applications

Organisations will be able to support business processes using BT's global network to integrate with suppliers and customers around the world, using applications located on the world.

the public servers.

A single connection to the BT servers means that organisations will no longer need to set up a wide area network within their organisation and with their customers and suppliers. This will reduce the cost of setting up applications and infrastructure for user organi-

The number of Lotus Notes users is growing rapidly, doubling in the past six months to 4.5m. They can access the servers hy point-to-point connections, such as ISDN, the Internet or from cellular telephones. Notes security is available for each method. The applications can also be designed to be accessed by any Internet

hrowser. Lotus Notes applica-

tions on the server will allow

o organisations to communicate with customers using data, images, voice, sound, video and other communications formats, 200

B - 342

32

For Lotus, the deal follows similar arrangements with AT&T. Compuserve, Deutch Telekom, iBM, Nippon Telegraph and Telephone, NTT Data, SNET, Telstra, Telecom Italia, Telekom Malaysla, Unisource and US West, together accounting for 80 per cent of global data communications traffic.

Competition

By using Lotus Notes, each network will be able to communicate with the others. This is part of a Lotus plan to huild a world-wide interoperable networks of public networks, linked to the Internet. BT is also carrying out a trial for a similar service in Australia.

Carriers face competition from new entrants, cable operators and the Internet, causing long-distance and International communications to become a commodity.

Public networks provide them with new value added services to offer customers in order to maintain their revenue. Organisations are charged rental for their applications on the servers and users are charged for access. Lotus will

participate in this revenue.

Lotus has beaten Novell, who has similar aims with its Smart Global Network, but BT admits that the Lotus deal is

the first of many.

When Oracle and Sun talk about "downloading applets" from the server to their network appliances, BT will have one of the main potential sources for software.

The next issue of the FT-IT Review on Wednesday, March 6 will feature converging technologies in IT and communications, together with directions in network management.

The more information on key themes in future issues, there is a new FT-IT Faxuback service: see Page 2 of this issue for details.

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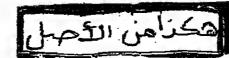
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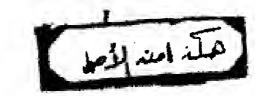
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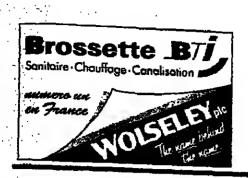
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FINANCIAL TIMES

Wednesday February 7 1996

LEGAL DEFINITIONS

joint venture n. I mip inspired by illegal substance (orig. sixties) 2 annual orthopaedic holiday 3 business planned by two or more persons, companies etc. see ROWE & MAW: asap (ph 0171-248 4282)

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IN BRIEF

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Repsol placement realises \$1.1bn

The placement of shares in Repsol, Spain's oil, gas and chemicals group, has broken all Spanish records for demand, realising Pta140bn (\$1.1bn). It prepares the way for a rapid follow up by the goverriment with a global offering of equity in Argentaria, the state-controlled banking group. Page 16

German arm to resume payout to IBM IBM Deutschland will, for the first time in three years, pay its US parent company an advance divi-dend of DM500m (\$347m) amid signs that its finan-cial position in Germany has stabilised. Page 16

Degussa makes slow start with 2% rise Degussa, the German chemicals, precious metals and pharmaceuticals company, made a lacklustre start to its 1995-96 financial year with pre-tax profits up by only 2 per cent to DM96m (\$67m) in the first quarter after rising steeply in 1991-95. Page 16

Indonesian bank to float despite low rating Bank Negara Indonesia, the largest of the country's five state-owned banks, plans to float shares this summer, despite a disappointing rating recently from Moody's, the credit agency. Page 17

Alcatel's Mao joins vanguard in China Alcatel Alsthom expects its business in China to account for 10-12 per cent of global sales within a decade. And overseas Chinese businessmen such as Mr Robert Mao, who has just joined the French conglomerate's main telecommunications board, will take an increasing role in international groups aiming to expand there. Page 17

Time Warner and Turner lift cash flow Time Warner, the US media group that is in the process of acquiring Turner Broadcasting, reported cash flow 26 per cent higher in the fourth quarter at \$1.04bn, on revenues up 12 per cent at \$5.1bn. Turner produced a 12 per cent rise in revenues in the quarter, to \$923m, but cash flow rose only 4 per cent to \$142m. Page 18

Restaurant strength pushes PepsiCo up A turnround in PepsiCo's restaurants division helped the US soft drink and fast food group report a 10 per cent increase in net profits to \$565m, or 70 cents a share, in the fourth quarter, Page 18

Medeva quits Germany and sells business Medeva, the acquisitive UK pharmaceuticals company, has withdrawn from Germany and the oncology market with the disposal of Ribosepharm, its cancer drug business, to Klinge Pharma for DM121.6m (\$84m). Page 19

Brazil halts gold trading to quell rumours In an unprecedented move, Brazil's central bank, frustrated that it has not been able to quell persis-tent rumours that a rogue trader has left it desperately short of gold, has stopped trading the precious

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COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1996

Fokker moves to damp expectations of bid

By Michael Skapinker in Singapore and Ronald van de Krol in Amsterdam

Fokker, the troubled Dutch aircraft manufacturer, yesterday sought to damp expectations that impending talks with potential partners would lead to a bid for shares and bonds held by inves-

The company, which said it had drawn up a shortlist of five potential partners, said: "So far, none of the candidates has indicated it is considering a bid for Fokker's bourse-listed shares or bonds." It cautioned its workforce that any partnership would probably lead to "drastic" cost-cutting, including a lower-

ing of expenditure on personnel. The company's shares fell more than 8 per cent yesterday to close at Fl 4.30.

Fokker said it boped to conclude a deal with one of the five by the time its bridging finance arrangement with the Dutch government ran out at the end of February. If no company had agreed to buy Fokker by then, parts of the business would be auctioned off sepa-

At the same time, Daimler-Benz Aero-space (Dasa) of Germany, which has a controlling stake in Fokker, said it was looking for a partner to take a majority share of its Dornier regional aircraft

Fokker was plunged into crisis last they had done no more than seek fur- senior sales and marketing vice-presimonth when Dasa announced it would end its financial support.

Mr Leo Steija, a Fokker official, said the Dutch group had received expressions of interest from 30 companies and had selected five. Fokker has refused to name the five, but four groups have said they have expressed an interest in talking to the Dutch manufacturer.

They are Samsung of South Korea, Aérospatiale of France, Bombardier of Canada and British Aerospace (BAa). Aviation industry sources say the Taiwanese government could be the fifth name on the list. However, Bombardier, Aerospatiale and BAe said yesterday

ther information about Fokker and BAe said it had no interest in taking over the Dutch company's manufacturing.

Bombardier, whose subsidiary, Short Brothers of Belfast, makes wings for Fokker, said its representatives were in the Netherlands for talks with the Dutch group. However, Bombardier said it did not know if it was one of the five on Fokker's list. It said: "Wa could be on a shortlist. We could be on a very long

Aérospatiale said it had only asked Fokker for more information and could not go further until it had received this. Mr Jeff Marsh, a BAe executive who is dent of Aero International Regional (Air), the regional aircraft joint venture, said BAe was concerned that a Fokker collapse could depress the price of sec-

ond hand aircraft.
Mr Marsh said BAe might be interested in managing Fokker's fleet, although it would not take over any of the company's assets. He said BAe managed its own used aircraft through its Asset Management Organisation.

Fokker said one criteria used to draw up the shortlist was whether a potential buyer was "deemed capable of continuing Fokker's activities, including assembly of aircraft".

Pension row overshadows British Gas split

By Clay Harris, William Lewis and Robert Corzine in London

A radical plan by British Gas to split itself in two was overshadowed yesterday by the size of the retirement package for Mr Cedric Brown, its departing chief execu-

Mr Brown, who will retire early at the company's annual meeting, planned for April, will receive an annual pension of £247,000 (\$370,580) and, for one year, a consultancy payment of 395,748 executive share options.

£120,000. He will also keep his The package led to sharp exchanges in parliament between Mr John Major, prime minister, and Mr Tony Blair, leader of the opposition Labour party. Asked by Mr Blair whether the package

could be justified, Mr Major said: will include all other exploration "That, in the private sector, is a and production, gas transport matter for the shareholders."

British Gas confirmed plans, disclosed in yesterday's Financial Times, to split into two listed companies in 1997. Creation of a

and businesses outside the UK. Under the split, British Gas Energy will inherit £40bn of "take or pay" purchase contracts,

Feature and Editorial CommentPage 11	Parts and Parts of Days and Days of Days and Day
Cattle and Editorial Comments and his age	Feature and Editorial Comment Page 11

not an outright demerger, had been required under the 1995 Gas

British Gas Energy will take over the UK supply business. which has 19m customers, and the North and South Morecambe gas fields. TransCo International market price, The company said the demerger should help to resolve its dispute with big North

and storage, power generation

Sea gas producers.

Ofgas, the industry regulator, said: "It no doubt eases regulation but it's not the ultimate answer to a regulator's prayer."

consequences (of the demerger) is that my job disappears. New management teams will be appointed in the middle of the year and they will want two young chief executives." In the meantime, Mr Richard Giordano, non-executive chairman, will become chief executive as well. British Gas shares closed 2p

lower at 242%p, valuing the company at £10.6bn. In the past year, its shares have underperformed the FT-SE 100 Index by 35 per

One analyst said the demerger did not really add value for shareholders, He said: "If anything, I can see the valua decreased. There is a clear signal in the statement that the dividend ain't gonna be what it was

Mr Brown said: "One of the for the combined company British Gas repeated its intention to maintain the dividend for 1995, but said various factors might affect future payouts. After the split, TransCo initially would be the main source of dividend, with British Gas Energy paying dividends or buying back shares only in "appropriate" cir-

> Pirc, the corporate governance consultancy which led a sharebolder revolt against Mr Brown's pay last year, criticised his retirement and the demerger plans. It said Mr Brown was the fourth executive to have received a substantially enhanced salary and then left the company.

Schroders, Cazenove and Hoare Govett will advise on the demer-

Cheung Kong, in tandem with affiliate Hutchison Whampoa. bas been acquiring sites for

The latest, a HK\$2.72bn resi-

The Cheung Kong placement,

chip Hong Kong companies. Last month's HK\$4.04bu place-

ment by Sun Hung Kai Properties, one of Hong Kong's biggest property development compa-nies, followed a HK\$3.24bn placement of new shares by Citic Pacific, the Hong Kong-listed arm of Beijing's main domestic and international investment agency. In December, Henderson Development raised HK\$2.2bn through a share placement and a further Y30bn

International drinks group prompts sharp downgrades after profits warning Allied Domecq irks investors with second warning Four factors had undermined profits: US drinks sales over

A second profits warning in seven months from Allied Domecq yesterdey heightened resentment in the City of London towards the international drinks and retailing group, prompting sharp downgrades and fears of a dividend cut, "Almost every time they speak, the numbers go down," one analyst said as the shares closed 8%p lower at 506p. Interim pre-tax profits would

be about 20 per cent lower than last year's £403m (\$620m), Mr Michael Jackaman, chairman, told the company's annual meet-

European drinkers were still resistant to price increases; disposal of food businesses would dilute earnings; and Mexican and Spanish profits would be off by £25m because a change in yearend had brought two loss-making months into the period.

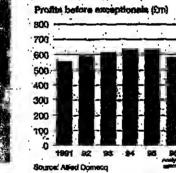
Sacond-belf performance should be better as trading improved, costs were cut and one-off timing factors disappeared, be said.

Cazenove, Allied's broker, last week sent a note to clients cutting its year-end forecast by about £35m and suggesting that



the news at the annual meeting might be bearish. As word leaked out about the note, Allied's share price started to slide from 527p at the beginning of last week.

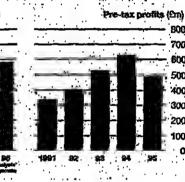
After the annual meeting, brokers cut forecasts by about £50m, taking some estimates as low as £585m, for earnings of 340 e share, against pre-tax, pre-exceptional profits of £635m for the year to last August.



in low spirits

Earnings of 34p would give thin cover for a dividend forecast at around 26.5p against 27.6p a year earlier. Whether this would represent a cut is a moot point. The 1994-95 payout was slightly enhanced by the change of yearend and payment of a foreign

income dividend. "The stock's yielding 6.2 per cent which is high for a FT-SE 100 company and reflects ner-



Analysts said shareholders were banking on Sir Christopher Hogg shaking up the company when he takes over as chairman

on April L Of the setbacks, the US was most disappointing. The group budgeted for a 10 per cent rise in Christmas sales but managed only a few percentage points.

Cheung Kong in HK\$5.3bn cash-call

By Louise Lucas in Hong Kong

Chenng Kong, the Hong Kong property developer controlled by Mr Li Ra-shing, yesterday raised HK\$5.3bn (US\$685m) through a share placement on the colony's stock market.

The cash-raising was seen as beralding e spending spree. Cheung Kong and other big developers are eyeing a number of projects in Hong Knng related to the new airport and its rail link.

A total of 100m shares were were priced at HK\$53, a 4 per cent discount to yesterday's close of HK\$55.25.

The benchmark Hang Seng Index closed down 0.81 per cent at 11,391.38, mainly because of e new wave of covered warrant

development throughout the col-

dential lot in the New Territories, follows three other large purchases in the past five

grine Capital, follows other

(\$283m) in samurai bonds.

Barry Riley

Bond funds debate whether Emu will fly



times for fans of Europeen ecotary union. During the past few days

the past lew days
European bond
markets have
bean uneasily
comparing the signs of genteel
panic at the Bundesbank with the complacent high-altitude mis-information pouring out of the World Economic Forum in Davos. The net result has been a bond market shake-out but nevertheless the ganaral conviction remains that some sort of Emu will be cobbled together out of the ruins of the Masstricht finan-

cial convergence programme.

Partially insulated from the currency maybem in another part of non-EU Switzerland, Mr Josef Marbacher of Bank Julius Baer in Zurich has put together a study of the implications of possible Emu scenarios. These he lists as the hard cur-

rency outcome, in which a few core countries merge their currencies on schedule in 1999; an "Emu light" outturn in which the conditions are waived so that peripheral contenders such as italy and Sweden are admitted; and finally a breakdown scenario of abandonment or deferral. He assigns probabilities of 60

per cent, 10 per cent and 30 per cent respectively to these outturns. But judging by the strong run which the peripheral bond markets have enjoyed compared with German bunds in recent months - the 10-year yield differentials for Italian and Swedish bonds bave both narrowed by about 100 basis points since October - the second scenario is generally given much more weight.

However, internal fiscal policy changes affect these spreads as well as the prospects for participation in Emu. And there are oddities: for example, Irish gilts have made no net progress against bunds since October, although Ireland seems likely to maet the convergence criteria, but the Belgian bond spread narrowed in January to only 45 basis points, although Belgium's bor-rowing levels are hopelessly too high to comply with Maastricht. Perhaps the markets sniff a non-Maastricht political deal in which core currencies merge and

Perhaps the markets sniff a non-Maastricht political deal

economic constraints are almost entirely brushed aside. This would be a final, catastrophic defeat for the Bundesbank, snubbed so brutally by the German politicians over the terms of the 1990 internal monetary union involving the Ostmark. There has been a sudden slip-

page of European ratings against dollar bonds. By January, the bund spread against 10-year Treasuries had narrowed to nine basis points compared with nearly 60 basis points in October. But the spread has jumped back up to over 40 basis points. The yield curve has steepened as short-term rates have come down but investors have become

more sceptical about the value of

longer-term bonds repayable in a

Around the markets, the possi-

bilities are being analysed. The Bundesbank is loosening monetary policy aggressively because it fears a recession in Germany? Fair enough, buy bunds. But the latest money supply and industrial production figures hava been quite positive. Hold. So is the Buba cutting interest rates only to bail out France and head off a worst-case political betrayal over Maastricht? Sell. At one time last year the Swiss franc was riding high as a safe

haven from the threat to the D-Mark, but more recently the markets appear to have concluded that in practice Switzerland will opt to track the euro. more or less. So there is no escape that way. Mr Marbacher says that even

with the best-case hard currency scenario long-term interest rates will have to bear a risk premium for several years until the credentials of the new European Central Bank have been established in practice. As for scenario two, he suggests a soft compromise could add 100-150 basis points to fiveyear D-Mark interest rates. The implication for bond investors would be that the core-to-periphery shift which has been in evidence would go much further.

Many fear that the outright ebandonment of Emu would be highly disruptive. Interest rates would go up sharply in the soft currency EU member states. No doubt, bowever, the situation would be complicated by deals between individual countries . notably Germany and France. Generally, the markets assume

thet something will happen around 1999, although whatever currency deal is struck the adjecThis announcement appears as a matter of record only

"The largest and most successful privatisation by direct sale ever"

Sir George Young Secretary of State for Transport

Hambros Bank acted as adviser to the UK Government on the simultaneous sale, by international auction, of the three passenger rolling stock leasing companies to realise total proceeds of £2.62 billion.



heared by Hambros Bank Limined, 41 Tower Hill, London ECSN 4HA, Tel. (0171) 480 5000. Regulated by SFA.

PRODUCERS

Worst

are held

Some of the demands of

producers locked in a dispute with British Gas over £40hm in

ong-term gas contracts may

have been met hy yesterday's

demerger announcement, write

Robert Corzine and Peggy

Hollinger. Producers had feared that

British Gas would transfer the

contracts into a thinly capital-

sed company, which could

have faltered under the liabili-

ties. However, the inclusion of

British Gas's largest and most

at bay

fears

■ TRANSCO - By Peggy Hollinger

No backflips

down on the

trading floor

Setting up defence of the domestic realm

British Gas executives yesterday tackled concerns that the new consumerorieoted British Gas Energy (BGE) would be financially weak and in a poor position to compete in an open domestic

"It will be a pretty robust trading company," said Mr Richard Giordano, British Gas's chairman, in announcing the demerger yesterday.

In recent months there has been speculation that British Gas inteoded to set up a poorly capitalised company in which to dump £40hn of troublesome long-term gas contracts. But executives say that was oever

BGE, which is an interim name, will have revenues of £8bn, assets of £2.6bn and 22,000 employees. It will

If British Gas thought it was

adding value for shareholders

by creating TransCo Interna-

tional, and in effect ring fenc-

ing it from gas purchase liabili-

ties, the market was not so

sure. "We are not exactly doing

backflips down the trading

Getting to grips with the val-uation of TransCo will be a

long process. There remain too

many uncertainties, the largest

of which is the forthcoming

price review of TransCo's

charges, due within three

There are also questions over the future divideod-paying

capability of the demerged

entity. It has seen ooe of its

largest mooey spinners - the Morecambe gas fields – surren-

dered to oil the process of rene-

gotiating the take-or-pay con-

TransCo International

business, covering Britain's

267,000km of pipelines

Net assets of about £18bn

International exploration,

production and generation

businesses with net assets

cent in development stage

of about £2.6bn, 50 per

tracts now eocompassed

TransCo will be largely made

up of the traditional pipelines business. With net assets of

about £18bo, it will dwarf the

Exploration and production, power geoeratioo and global gas - grouped under the head-

ing international businesses -

will together cootrol oet assets

worth £2.6bn. The pipeline

operation is also BG's most

profitable business. In the nine

months to September 1995, it

reported operating profits of

Exploration is only margin-

£740m on turnover of £2.2bn.

ally cash generative, according to BG, while in the business of

power generation returns can

The prime asset of the global

gas husiness must be its 40 per

ceot interest in the intercon-

oector pipelioe between the

UK and cootineotal Europe.

But this has yet to be huilt and

will require substantial invest-

ment. The company will also own some £500m of property.

All in all, the market sus-pected that British Gas had

done little to enhance share-

holder value. If anything,

demerger might bave eroded it.

pegged for disposal.

said some analysts.

take years to come through.

within British Gas Energy.

rest of the new entity.

Monopoly pipelines

20,000 employees

floor," said one analyst.

division and the retail outlets as well as the company's gas trading and supply arms.

Its task, said Mr Giordano, would be to "retain a significant and profitable share of the domestic market", due to be opened to full competitioo in 1998, and to retain market share and improve margins in the industrial and commercial markets, which are already open to competition.

Analysts were yesterday poring over its proposed structure, which has surprised aome. BGE is formed around a new subsidiary company, British Gas Trading - the vehicle into which the long-term contracts have been placed.

Executives stress that the creation of BGT is a statutory reorganisation of the company

Regulatory risk wonld

increase, now that there was a

clear division between the dis-

puted gas contracts and the

regulated pipeline business.

This means that the disputed

contracts can no longer be a

poteotial influence on the regu-

lator when it comes to setting

price cootrols. Under the new

plan, the cootracts will be

Ms Clare Spottiswoode, the

regulator, has said that she

would ignore the contracts

issue, because its impact on

the company is unquantifiable

at present. But analysts said

that in practice it would have

more for Ofgas, the industry regulator, to take the sledge-

hammer to TransCo," said one

analyst. Profits would be

affected and, in turn, its divi-

dend paying capacity. This had

been signalled in the compa-

Any harsh approach from

the regulator also increases the

likelihood of a referral to

Monopolies and Mergers Com-

mission. This could delay any

firm conclusion oo the envi-

operate until as late as the

spring of 1997, just before

demerger, making valuation

The market was also scepti-

cal about the prospects for the

exploration and production arm, which would lose two-

thirds of its estimated value

with Morecambe. That move

would deprive the group of substantial cash flow, which

could have been used to

develop the portfolio. This could subdue growth in what

Sea: and development demands

could further inhibit TransCo's

that E&P has a key role to play

capacity to pay divideods.

eveo more difficult.

ny's statement.

"The demerger allows even

beeo a factor to the review.

placed into BGE.

As such. North Sea producers cannot object to the transfer of contracts. The new entity will also own British Gas's giant Morecambe gas fields off Lancashire in north-west England. With 4.5 trillion cubic metres of gas, the two fields account

for most of BGE's assets. They

will also figure highly in the

company's eventual competi-

tiveness, say executives.

Mr Giordano says that the creation of the new company sbould enhance the ability of British Gas to persuade North Sea producers to recegotiate contracts. BGE executives will have a free hand to use Morecambe in negotiatioos with North Sea gas producers, some of wbom have privately said

required by the oew Gas Act. exchange for renegotiating contracts.

Morecambe, which can supply 15 per cent of the country's gas needs even in the coldest weather, is also "a powerful physical tool" that can be used to enhance the company's competitiveness, he savs

Although gas from Morecambe is among the most expensive in the UK, execotives oote that the field is fully developed and has one of the lowest cash costs in the offshore industry.

Ofgas, the industry regulator, yesterday welcomed the demerger, which it said should ease the task of regulation. Officials also said the creation of the new company could improve the efficiency of tha

British Gas Energy

 Largest gas supply and in Britain

22,000 employees

19m customers

Net assets of about £2.6bn

Annual sales of about Σ8bn

focusing on the supply husi-ness, it could help drive down costs to a more efficient level." said a senior Ofgas official. The simpler structure could also help Ofgas to "get closer"

to the supply division's cost of But tha demerger will not

affect Ofgas'a price control review for the company's

domestic monopoly.

And it is exactly that type of uncertainty which will make the company difficult to value, say analysts. Mr Giordano yesterday agreed that valuation would be tricky with so many

The company will, however, be "virtually debt-free, except for working capital". That, say analysts, reflects BGE's uncertain future, given the dispute over the contracts and the likelihood that it will lose substantial market share once full competition is introduced.

There are also unlikely to be any early dividends. Mr Ginrdano yesterday said the company would be "husbanding its

But will the company be too financially unstable to support its role as the main domestic supplier? After all, many analysis yesterday reckoned that shares in BGE would be confined to "the riskier end of the portfolio", and the company itself said it would prohably prove too volatile for small

shareholders. Executives point to the fact that it will be two years or more before it begins to lose large chunks of market share. In addition, the discipline of a stock market listing abould help to focus management's

thinking.
Ofgas officials appear confident that the risks will diminish once competition has been tested and alternative suppli-ers have established rival sup-

profitable gas fields, Morecambe Bay North and South, with a book value of about £2.5hn, abould have eased some of their worst fears. Nevertheless, they are likely to remain concerned about the long-term future of the com-pany, given that they believe the potential liability of the take-or-pay contracts could be far greater than Morecambe's value. Furthermore the value

is likely to be questioned by producers, as it is currently selling gas to British Gas at rates far above market price. British Gas yesterday admitted that it had been slow in negotiations with North Sea producers to gain time to secure government approval for its plan to transfer the con-

tracts into a new subsidiary. A aenior executive said the decision was made to slow the pace of negotiation to avoid a public row with producers. "If we had had a row with producers would we have been able

to put a transfer scheme in place," he said. The contracts lie at the heart of BG's problems which have led to demerger. The company has argued that the government's decision to accelerate competition in the gas market has left it contracted to take more gas than it needs at prices much higher than its competitors. On average it says it is paying some

ket where long-term contracts are being struck at about 15p. Efforts at renegotiation have met with resistance and some producers have expressed concern about the transferral of the contracts to a new subsidiary. But producers are unlikely to be able to challenge the transfer scheme approved by the government on Monday, which cleared the

20p a therm for gas, in a mar-

way for the full demerger. British Gas executives yesterday said it was a statutory reorganisation and if produc ers wanted to object, they would have to go directly to the government.

atoo to divide the business. Mr

Donald Macgregor, national

secretary for gas workers, said:

"British Gas is confident that

this re-organisation will not

mean the return to the redun-

dancies of previous years and

this will reassure our members that their jobs are safe."

In spite of the criticism of Mr

Brown'a pay, it was clear yes-

terday be had not lost the

respect of the union. Mr Mac-

gregor said: "Despite the buf-feting he has personally taken

for the failures of the privatisa-

tion, he is widely respected by

huying part of the field in "With the City and analysts became clearer. Passing the flame

The past:

2.1986: British Gas privatised as a single

9.1988: First Monopolies and Mergers Commission inquiry calls for more openness in BG's prices.

9.1991: Office of Fair Trading requires BG to allow more competition into the : market, and suggests that the company be split up.

9-1992: Second MMC Inquiry recommends break-up of BG by 1997: and introduction of full competition in the gas market by 2000-2002. 9-1993: Government rejects break-up:

recommendation, but sets a 1998 deadline for full competition. 9-1993: Cedric Brown becomes chief

executive. 9.1994: January 1: Richard Giordano

replaces Robert Evans as chairman: 9.1994: November: Giordano awards

Brown 75 per cent pay rise. 9-1995: Gas Act requires BG to establish transportation business as a separate subsidiary.

4-1996; February 6: BG announces demerger plan, and says Brown will

The future:

9-1996 April 1: pilot programme for gas. deregulation begins in south west England.

9-1996 April: Brown to retire.

9-1997 spring: BG to seek shareholder approval for demerger.

9.1998: Full liberalisation of gas market.

■ POLITICAL AND TRADE UNION REACTION - By James Harding and Richard Donkin

Labour blames 'indecent haste' of privatisation

remained - more than half of which is located in the North demerger, arguing that an "unthought-out privatisation implemented with indecent Nevertheless, BG is adamant haste had introduced nothing but chaos in the industry".

Richard Giordano (lett) shakes

hands with the departing

Cedric Brown vesterday

in the the new group. Without it, international expansion for Shareholders in British Gas had been "thrown into doubt both power generation and gas transportatioo would be diffiand confusion", said Mrs Margaret Beckett, shadow trade "We have significantly and industry secretary, after greater ease of entry in a councalling Mr Tim Eggar, energy try if we are able to do all minister, to the Commons to demand an explanation.

those things, than if we just did one," said one BG official. Mr Eggar aaid be saw no Yet even BG admitted that it need for a government expla-nation: "Today's announcewould have to cut operating meot by British Gas of demerexpenses in this divisioo before ger is a commercial decision by the company." He countered it could begin to address that Mrs Beckett's call for a In spite of reservations about the demerger plans, analysts government statement suggested that her instincts said it was a step in the right were to interfere in British Gas'a decisions. "You believe direction, at least when it came to sorting out the take-or-pay that you can run Britisb induscootracts problems. For TransCo International, however, try better than British manageverything would depend on the regulator. ers can."

Labour yesterday hlamed the that the Gas Consumers Coungovernment for the British Gas cil and the GMB union had welcomed the proposal. The prospects for coosumers proved the most cooteotious issue in an angry dehate in the Commons, as Mrs Beckett asked the government "to give an absolute assurance that the interests of consumers will be protected". The concern echoed by Labour backbenchers was that British Gas liabilities on take-or-pay supply contracts would eventually have to be

met by the consumers. Mr Eggar said: "British Gas itself is confident that it will be able to improve service to cus-The debate followed an

angry exchange between Mr Tony Blair, Labour leader, and Mr John Major, prime minister, over the severance package for Mr Cedric Brown.Mr Blair compared Mr Brown's award with the advice from Mr Michael Heseltine, deputy prime The government pointed out minister, in which he con-



dooed late payment of bills to

husiness creditors: "One group

of bard-working people told to

wait for their mooey, the other

given by your government a

Dennis Skinner, Labour MP for

Bolsover, asked Mr Eggar, who

On the question of pay, Mr

liceoce to print it!"

Sir Denis Rooke; the former British Gas chairman who headed the company when it was privatised in 1986, said yesterday circumstances had changed since he retired seven years ago.

But he added: "It is astonishing that Her Majesty's

government cannot only move the goalposts but also changa the game and even play the wrong way across tha

There had never been any suggestion, he said, that the shape of British Gas would be anything other than a national company with a vertical structure.

if the company had not algred the early long-term purchase contracts, the North See fields could not have been developed, Sir Denis added.

is standing down at the next election, if he would be joining the government has fired a bullet and watched it explode in British Gas." It said, however, it received no pleasure from Mr Brown's departure. The GMB general union which has 30,000 members at

British Gas, welcomed the deci-

the workforce for his years of experience and commitment the company. The GMB could not, however, resist a parting dig, referring to the pig it had named Cedric and used in protests. The union aaid: "Ha will receive a large bucket of potato-peelings tonight - he will need something to reassure him that an early retirement

would not reduce his rations."

SHAREHOLDERS' REACTION - By Norma Cohen, William Lewis and Antonia Sharpe

Institutional concern over possible dividend cut Shareholders in British Gas expressed concern about Mr Giordano's role as chairman

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gave a lukewarm reception to the company's announcement of a demerger yesterday, saying it heightened the possibil-ity of a dividend cut. "It used to be that a corpo-rate break-up was meant to enhance shareholder value.

Now it may be just a ploy to cut the dividend," one share-holder said. The share price yesterday slipped 2p to 2425p. Institutional investors were concerned at the company's comments that while it would maintain the 1995 dividend. "there are a variety of factors or events which might affect future dividend decisions".

News of the demerger had been expected by many abare-holders. However, several said that they were takeo aback by the decision to create a sepa-rately listed new company to hold the contentious "take-or-

pay" contracts.

The value of creatiog the new company, they said, crystallised British Gas's exposure to the take-or-pay contracts. It was the announcement that the net assets of British Gas Energy would be about £2.6bn. "You now have a maximum for corporate liabilities," said one relieved shareholder, not-

ing that brokers' forecasts had

ranged from £1.5bn to £4.5bn.

Also, sharebolders said they were encouraged by the implied promise to reduce the scope of British Gas's international development activities, with a concurrent "significant" reduction in development

"We and other shareholders have expressed coocern over the capital activities," one sharebolder said, pointing out that the departing chief execu-tive, Mr Cedric Brown, had historically favoured wide-ranging international development.

Institutional investors who had warned that Mr Richard Giordaoo's continued role as chairman of British Gas was

dependent on Mr Brown's successor being announced welcomed vesterday's news "I take no pride in the per-

the British Gas board.

Mr Eggar replied: "T've not

yet received a job application

form from British Gas and, if f dld, I wouldn't fill it in."

union which has 23,000 mem-

Unison, the public services

sonality thing, but the deed had to be done," one share-holder said. "Now it has been, I hope to God that Cedric is left shareholders Other

expressed relief at Mr Brown's departure, saying that the very public debate over his remuneratioo package had been dis-

But Mr Brown's departure may not end the debate about the corporate governance of British Gas. shareholders Several

holders were relieved that they would be part of the stable and cash-generative business of British Gas, and not the trading side with its potential

triggered a rally in British Gas

bonds. British Gas has about

£3.5hn of outstanding sterling and dollar denominated bonds.

of fixed-income research at Lehman Brothers, said bond-

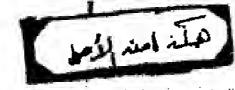
Mr Frank Knowles, director

future liabilities regarding long-term gas contracts. However, Mr Knowles azid and chief executive, which is expected to be temporary.

News that TransCo would retain most of the existing British Gas debt. including all of its public debt obligations, biggreed a religious Priview Con British Gas bondholders atill

faced risks because of the like-lihood that TransCo might seek to enhanca shareholder value at the expense of bondbolders.

Yesterday Standard & Poor's. the credit rating agency, placed British Gas'a double A minos loog-term rating on review for an upgrade or downgrade pending consideration of the demerger. Rival agency Moody's had already placed its British Gas rating of Al on review for a downgrade last





Left to right: Ed Miller President - Chemical Banking Corp. Michel Kruse, Vice Chairman/Global Financial Services - Chase Manhattan Corp. Walter Shipley, Chairman/CEO - Chemical Banking Corp. Tom Labrecque, Chairman/CEO -Chase Manhattan Corp. Bill Harrison, Vice Chairman/Global Wholesale Banking - Chemical Banking Corp.

Chase and Chemical have long envied each other's capabilities. But through it all, there was one trait we both shared: exceptional client focus. That's why our agreed merger is more than just combining our capabilities. It's an integration of our abilities to deliver the best solutions. An integration of people and ideas. It's a leveraging of our leadership positions to identify new opportunities for your business. It's teamwork across all lines of business to solve your individual needs. Whether those needs are on the other side of the street, the other side of the country or the other side of the world.





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EUROPEAN NEWS DIGEST

Adam Opel upbeat after rise for year

Adam Opel, the German carmaker owned by General Motors of the US, lifted net profits for last year above the DM307m (\$209m) earned in 1994, despite exchange rate losses of about DM300m caused by the strength of the D-Mark, Mr David DM25.9bn. He said the final profit for 1995 would be between the previous year's result and DM400m. He expected profits to grow further in 1996, although the overall market would show

scarcely any increase.

Mr Hermann attributed the rise in profits from increased ontput, the restructuring of production plants and greater attention to global markets. Opel is about to open an assembly plant near Bombay, to add to those in Turkey. Egypt. Hungary, Taiwan, Indonesia and Poland. It was also selling successfully in Japan. Further investments were planned in south-east Asia and Poland.

in Germany, he said Opel's market share edged up from 16.6 per cent to 17 per cent, with a further slight rise expected in 1996. Its new vehicle registrations were 5.6 per cent higher, against a rise in the German market of 3.3 per cent, in line with its continuing investment programme, Opel will spend DM5.5bn on its German plants up to 1998. Last year's investments totalled DM1.5bn.

Andrew Fisher, Frankfurt investments totalled DM1.5bn.

Air may launch first jet

The three European companies which make up the Aero international Regional (Air) aircraft venture are considering launching their first jet. British Aerospace, Aérospatiale of France and Alenia of Italy started Air at the beginning of this year by combining their sales and marketing organisations.

British Aerospace and ATR, owned by Aerospatiale and Alenia, said they would continue to make their existing products themselves. However, Mr Henri-Paul Puel, Air's chief executive, said yesterday the venture would begin market research this spring on the feasibility of building a 70-seat twin-jet aircraft. A 85-seat version could also be built.

Mr Puel said he thought there would be interest in the jet in the US and Asia and that if they went ahead, the development cost was likely to be \$1bn. Air is also bidding to be the western partner in a Chinese and South Korean project to build a 100-seat jet. If Air wins the right to participate in the project, Mr Puel said the cost would be \$2.2bn. Michael Skapinker, Singapore

Ferfin, Montedison advance

Ferruzzi Finanziaria (Ferfin) and Montedison, the linked Italian holding companies which returned to net profit in the first half of 1995, yesterday released preliminary figures for the full year showing that turnover and gross operating profits were up significantly on 1994. Ferfin's turnover was up 9.4 per cent at L26,265bn (\$16.7bn) and gross operating profit rose 17.7 per cent to L3.623bn. Montedison, with interests in agribusiness, energy and chemicals, increased turnover by 13.2 per cent to L24,380bn, while gross operating profit was up 16.4 per cent at L2.955bn.

John Simkins, Milan

■ Cofir, the Madrid-based holding company controlled by Italian financier Mr Carlo De Benedetti, has increased by Ptalbn (\$8m) the capital of Dagesa, the supermarket chain in which it has an 80 per cent stake. The move will finance new John Simkins

CORRECTION

Jürgen Schrempp

A picture in yesterday's edition labelled as Mr Jürgen Schrempp, Daimler-Benz chairman, was not Mr Schrempp. We apologise for this error.

Record demand helps Repsol issue realise \$1.1bn

The placement of shares in Repsol Spain's oil, gas and chemicals group, has broken all Spanish records for demand. It prepares the way for a rapid follow-up by the government with a global offering of equity in Argentaria, the state-controlled bank-

The Repsol issue, which cut the government's stake from 21 per cent tn 10 per cent, realized Pta140bn (\$1.1bn), about Pta10bn mure than

expected.

Demand for the 33m Repsol shares that were placed totalled Pta1,129bn. The issue was eight times oversub-

Warm reception for Spanish oil, gas and chemicals company augurs well for coming global offer for shares in Argentaria

12 times in the UK, 15 times in continental Europe and eight times in the

"We have never, ever seen anything like this here," a Madrid banker said yesterday. Pending final allocation of the equity, the "green aboe" or overallotment option of 4m shares was dne to be exercised today in favour of UK and continental European

All the institutions will inevitably be allocated far fewer shares than they bid for. Officials said Repsol was expected to reward the loyalty of existing institutional aharebolders

and to favour institutions which showed a lot of interest in the road shows and really wanted tha in the domestic retail tranche, a

demand almost wbolly met, while

sliding scala was likely to be applied favouring small investors, in order to spread ownership as widely as possi-ble. Those seeking to invest Pta100,000 in Repsol are likely to have their

retail investors who had bid for Pta10m-worth are likely to end up with only 5 per cent of what they had

The warm reception for Repsol was underlined on the Madrid market yesterday, where the group's shares put on 1.38 per cent to close at Pta4,395. The price for retail investors had been set at Pta4.147 a share, representing a 4 per cent discount on Monday's weighted average price and at Pta4,335 for tha institutional tranches. The anccess of the Repsol place-

ment augurs well for the forthcoming global offering of 32.2m shares in Argentaria, when the government is due to reduce its stake from 50 per

car

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cent to 25 per cent.

Analysts said despite the difference between the highly-prized Repsel stock and that of Argentaria, they expected a knock-on effect from the

Rapsol placement that would lift demand for Argentaria.
The subscription period for Argentaria characteristics in the subscription period for Argentaria. taria shares is likely to commence towards the end of the month. It will be globally co-ordinated by Morgan Stanley of the US and by Argentaria, together with the domestic banks. Santander investment and Banco Bilbao Vizcaya.

joint venture with Fraser &

Neave, the Singaporean brewer

of Tiger beer. APB plans to spend almost \$500m over the next three years building and

buying breweries in the region.

emerging markets, some of

Heineken's stiffest challenges

are in mature European mar-

kets. Germany, suffering from

severe over-capacity among its 1,000 brewers, is the most diffi-

cult and costly to crack.

But for all the excitement of

particularly China.

in trading row with subsidiary

By Kester Eddy in Budapest

and profita Mineralimpex, the former Hungarian state oil and gas import and export company owned by Mol, the partly privatised oil group, have collapsed amid recriminations between the subsidiary and its owner. Mineralimpex profits fell

from Ft300m (\$2m) in 1993 to a little more than Ft20m (\$140,000) last year, according to provisional figures. Sales nearly halved from Ft70bn in 1994 to little more than Ft40bn. After inheriting a privileged position from communist days, wben trading was kept separate from production, Mineral-impex dominated Hungary'a international gas and oil trading until about 1993. Since then, bowever, contracts have been progressively transferred to Mol, Hungary's biggest com-pany by sales, and a Mol joint venture with Gazprom of

Russia. In 1994 the government decided to transfer ownership of Mineralimpex to Mol. A sixmonth power struggle ensued, ending, on paper at least, with the transfer of ownership from the State Holding Company to Mol last May.

Mr Gyorgy Szabo, then chief Mol executive, said the move was regarded as essential to maximise the value of Mol. then being prepared for partial privatisation, by giving it con-Mol, which loses money on

imported gas because of gov ernment controls on domestic prices, saw Mineralimpex's foreign trading activity as easy money. "Just one aignature, and a million dullars commission," Mr Szabo claimed.

However, the battle is not over. "The problem is that, although Mol is the 100 per cent owner, it still considers us as a competitor," said a Mineralimpex official. "There is frustration and uncertainty over wbo should do what. This is a valuable asset. Ynu would think [Mol] would see it is in its own interest to exploit it."

The man seen as the principal defender of Mineralimpex before the transfer of ownership, Mr Laszlo Pal, became Mol president in September sbortly after being sacked as Minister of industry for opposing power sector privatisation. Mr Pal sald: "Mol'a entire organisation is being modern-

ised and Mineralimpex is being discussed as part of that, Mol has decided to maintain ownership of Mineralimpex, and not to privatise it for the time "Within a few weeks the new

profile should emerge. It will not work as a competitor, but as an independent company integrated in Mol."

However, Mr Szabo, now an independent consultant but still on the Mol board, does not share Mr Pal's confidence. "Mol may wish to keep ownership, but the state owns 58 per cent of Mol," he said.

Hungary oil group | Heineken finds strong global brew

Dutch group's export business is highly profitable, writes Roderick Oram

alve into the curious casa of Heineken's and you learn a lot about the Dutch brewer's global ambitions and the three main tools at its disposal. The incident showa how

Heineken uses brewing partners abroad, its ultra-low cost breweries in the Netherlands and its well-known brand to maintain its positinn as the most international of brewers. Some competitors, notably Anheuser-Busch and Millar Brewing of the US, are spending heavily to try to match its global reach. Heineken has a network of brewing and distri-

bution relationships spanning some 170 countries, and more than 50 per cent of its sales are already outside Europe. in Japan, Heineken produces its lager through a 51:49 joint venture with Kirin, the Japanese brewer, and sells it in kegs and bottles. The lager had also been sold in cans until last year, when it ran into some unexpected competition - from itself. Large Japanese retailers

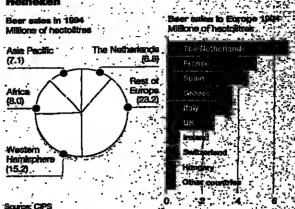
were importing cans of Hein-eken brewed elsewhere and

selling them at a much lower

price than those produced locally. The uncompetitiveness of local cans reflected the complexity of Japanese distribution, with many people taking a profit between brewer and retailer. But the fact that Heineken was able to win back business by shipping cans of Dutch beer direct to the retailers was testament to its low-

cost production at home. After strenuous efforts to cut its Dutch costs, Helneken has developed a highly profitable export business. Between 1985 and 1995, raw material costs fell from 11.75 per cent to 7.2 per cent of sales, personnel costs dropped from 23 per cent to 19.1 per cent and packaging from 15 per cent to 13 per cent, according to a study by Mr Jobn Wakely, Lehman Brotbers' drinks analyst in London.

Heineken ploughed some of the savings into advertising and marketing abroad to build its brand's image as a premium product for which it could charge higher prices. Selling costs have risen from 9.6 per cent to 16.8 per cent of sales and are likely to rise another percentage point by next Drinks all round: brewer's network spans 170 countries



year, Mr Wakely estimates. The Dutch brewer spends, for example, about \$5 a barrel on advertising in the US, com-pared with \$3 spent by Anheuser-Busch, the market

leader. Playing to the cachet of the imported product, a bottle of Heineken costs about 40 per cent more in the US than in the Netherlands, and apprecia-bly more than Anhenser-Busch'a domestic Budweiser. Consequently, exports are highly profitable for Heineken.

They account for only about 10 per cent of its sales volumes but about 40 per cent of profits, Mr Wakely estimated. Exports from Holland last year exceeded 6.2m hectolitres, up from 5m hectolitres two years before, with many markets including the US and expanding Asian countries accounting for the increase.

With exchange rates the main determinant of export profitability, Heineken watches no rate more closely than the

the guilder to the US dollar. "We can live with FI 1.50 to the dollar and we are very happy at Fl 1.80," Mr Karel Vuursteen. Heineken'a chairman.

said. At a current rate of F11.58, Heineken appears to be pushing its luck, but the company believes constant productivity improvements will keep US exports profitable.

Moreover, each increase in marginal volume of beer exported at the right price is very profitable. Thus, Heineken signalled at an analysts' meeting last year that its goalposts had moved. It opens up markets with exports before switching to local licensed production when volume justifies. But exports are so attractive that the thresbold has risen

sharply for many markets. in terms of long-term foreign investment, east Asia is one of the most important regions for Heineken. Its vehicle is Asia Pacific Breweries, a 60-year-old

Heineken'a strategy is to build its brand as an imported premium product for young drinkers and secure distribution initially in pubs and restaurants in only a dozen or so of the main cities. "We try to discipline our-selves to talk not about the

number of hectolitres we sell but the number of pubs we serve," Mr Vuursteen said. He added that Heineken's losses in Germany are running at less than the Fl 30m (\$18.2m) a year some analysts estimate.

but the red ink will flow for a few more years while the company invests in the market. The UK presents a completely different challenge - it is the only foreign market wbare most of Heineken's main product lacks premium status. The bulk of its beer is 3.4 per cent alcobol and there-

fore is classified as a standard

lager, an extremely price com-

eineken and Whitbread, its UK licensee. A are addressing the problem with the 5 per cent Export beer, which is the same strength as sold elsewhere in the world. "We are making quite sound progress" in the premium category, Mr Vuur-

London analysts are intrigued by the relationship between the two companies, because Whitbread is also the UK licensee for interbrew's Stella Artois, the dominant

premium lager.
"I don't believe there is any cannibalism between Export and Stella," Mr Vuursteen said. "We have a very happy mar-riage with Whitbread. They have done a good job for us." the UK is not anbjected to

Fortunately for Heineken quite the same import issues of status or costs as the US and

trol of international trading.

This panouncement appears as a matter of record only.

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IBM to get payout from German unit

By Judy Dempsey

IBM Deutschland would pay its US parent company an advance dividend of DM500m (\$340m) - the first in three years - amid signs that its financial position in Germany had stabilised, Mr Edmund Hng, chief executive of IBM Deutschland, said yesterday.

It would also start to focus on the more general consumer market in a bld to win a slice of the market in this high growth area. "The consumer division, set np last year to cater to the needs of this sector, is expected to be tha driving force of this activity," Mr

Hug said. Mr Hug has overseen a radical restructuring programme aimed at reducing costs and increasing efficiency, which entailed reducing the number of full-time employees from 17,500 to 15,000.

Net profits for last year amounted to DM900m, the aame as the previous year. Sales increased 2 per cent to DMI.5bn over the same period. following adjustments which included the transfer of IBM's former aemiconductor production to a joint venture with Philips, the Dutch electronics group, and the sale of another production unit to Mayer & Cie.

returned to normal after

December, which he described

the strong first quarter of last

year. Exchange rate muve-ments pulled down sales by

For the quarter, sales at the chemicals division were 8 per cent lower at DM1.2bn, with volume down 6 per cent from

as an "air pocket".

DM2.6hn, including a 13 per cent rise in export sales from its facility in Mainz, Rhineland Palatinate, where IBM's European centre for data-storage technologies is based. Domestic sales roae I per cent to DM9.3bn.

investments in fixed assets climbed 8 per cent to DM800m, including outsourcing, multimedia and consulting. Mr Hug said IBM would also focus on network-centric computing to provide customers with integrated network services, which include data, voice, imaging and video. The services division

fayer & Cie. reported a 16 per cent increase in sales, which Mr Hug said

was well ahead of comparative expansion rates in the sector. in outsourcing, IBM donbled its year-on-year income, estab-

lishing itself as Germany's

market leader. However, the personal computer market remained flat. ZDF, the German public broadcaster, has signed an out-put deal with Hearst Entertainment of the US that includes German rights to 50 TV films to be made over the next four

to five years, Renter reports from Berlin. The deal also includes German resale rights for new films, a package of old madefor TV movies and broadcast rights for Hearst TV shows.

Weak December holds back Degussa

By Andrew Fisher in Frankfurt

the German emicals, precious metals and pharmaceuticals company, made a lacklustre start to its 1995-96 financial year with pretax profits up only 2 per cent in the first quarter, to DM96m (\$65.3m) from DM94m a year

Mr Gert Becker, chairman, who retires in March, said the first two months of its current year to September 30 had produced a 10 per cent profits improvement. However, December had been poor, with most of the gains eroded. This left turnover in the first three months 19 per cent lower at DM3bn; excluding precious metals trading, tha decline was

Mr Becker said business had

two percentage puints, with deliveries affected by the French strikes in December. Chemical earnings were down slightly. But profits showed a "pleasing improvament" on the pharmaceuticals side, where sales were 2 per cent lower at DM530m. Profits in the deutal division were higher, while the Asta Medica unit reported markedly better results. Metals sales were 31 per cent lowar at DM1.27bn, with profits also driwn.

Mr Becker said Degussa

Share price relative to the DAX index 104

Degussa

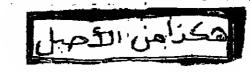
Source: FT Extel

hoped to remain at roughly the same profits level as last year and was confident of producing another good result. In 1994-95, profits before tax rose 44 per cent to DM404m. It has already annunced a dividend rise

from DM10 to DM12.50 a share. To strengthen lts pharmaceuticals activities, Degussa will ask ahareholders at the annual meeting in March to authorise DM40m of new capi-tal on top of the presant authorised capital of DM80m. At yesterday's share price -down by DM19, or 3.4 per cent, to DM539 on the disappointing figures - this would be worth DM481m.

Mr Robert Ehrt, the finance director, said the new shares would be available to exchange for assets to expand pharmaceutical activitie

He said capital spending would total around DM600m this year, with 56 per cent to be invested outside Germany. The investments, compared with DM462m last year, would mainly be used in increase



INTERNATIONAL COMPANIES AND FINANCE

Philippines cargo group enjoys 57% profits rise

By Edward Luce in Manile

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A. CHINE

International Container Terminal Services (ICTSI), the Philippines' largest cargo handling company, saw net profits leap 57 per cent to 320m pesos (\$12.2m) on the back of the country's rapid trade growth in 1995. However, the result was lower than expected by most analysts, who had fore-cast profit growth of about 70

The company, which has stakes in the recently-privatised port of Karachi – Pakistan's largest – as well as in Veracruz, the largest port lu Mexico, and Bnenos Aires, said improved operating efficiency and the growth of 20 equivalent unit (TEU) traffic were behind its good results.

The 30 per cent growth in Philippine trade helped boost the company's TEU handling to about 750,000 last year, 11 per cent higher than in 1994. The company maintained its 75 per cent share of the Philip-

Tha installation of a fifth, 300m-peso berth at its container terminal in Manila, and the introduction of more automated work practices improved efficiency by 12 per cent to 2,600 pesos per TEU. Administrative and operating costs rose 7 per cent to 426m

Analysts, however, say the company's rising debt-equity ratio, blamed on high capital outlays on its three overseas ventures, gives some cause for concern. At 130 per cent, ICT-SI's gearing ratio is considered

too high. "ICTSI has run up a lot of debt," said Gina Dipaling, a researcher at Asia Equity Securities in Manila. "However, if it can overcome the burden of high interest payments, the company's long-term ontlook is very bright. It is the most efficient operator in the Philippines and trade growth looks set to continue rising."

ICTSI's shares, which are trading at a p/a of 21 - a 20 ket - closed unchanged yesterday at 16 pesos.

The People's Republic is expected to generate 10% of sales by 2005, says Tony Walker r Robert Mao, the first Chinese member of Alcatel Als.

can, an Australian and a Chinese.

Alcatel claims to be the lead-

thom's main telecommunications board, bears a famous surname, but similarities with China's late Chairman Mao Zedong end there.

The urbane Cornell and MITeducated Mr Mao represents the new breed of oversess Chinese businessman which is assuming greater responsibilities in large international cor-porations as the China market rows and companies such as

France's Alcatel globalise. From his domicile in Taiwan, Mr Mao, 52, will oversee Alcatel's "greater China" operations, including the main-land, Taiwan and Hong Kong. In turn, tha company will divide China into two main administrative centres - Bel-jing and Shanghai - and 12

Mr Mao says the group "definitely" plans to increase its manufacturing presence in China and intends to become leader in its business sectors. "There is no doubt this is a big, big market and getting bigger." says Mr Mao.

His appointment to the board in the restructuring of Alcatel'a activities, which came into effect last month, is part of the conglomerate's attempt to sharpen further its focus in China, where sales topped \$2bn last year, or about 5 per cent of global sales of

talecommunications board, reflecting the company's global interests, includes four French nationals, five non-French Europeans, one Ameri-

ing supplier of telecommunications and power plant equip-ment in China, and market leader in electric railway transport. But It wants to intensify its involvement in Chine, based on about 20 joint ventures formed between 1983-96.

Mr Serge Tchuruk, chairman and chief executive officer of Alcatel, sald in Beijing recently that within a decade the company's China business per cent and 12 per cent of global sales. Alcatel's future and especially that of its telecommunications divisions - is tied, therefore, to the continued rapid growth of China's

lcatel Alsthom is the parent company of tha Alcatel Telecom and Alcatel Cable; Cegelec, the electrical engineering business; and Saft, the battery maker. It has 50 per cent of GEC Alsthom, which supplies power and transporta-tion equipment, and 44 per cent of Framatome, the nuclear power unit.

All these subsidiarles and affiliates are active in China. Framatome, for example, led the consortium which built the Daya Bay nuclear power station in southern Guangdong province, near Hong Kong, and has the commission to construct stage two. GEC Alsthom has two joint ventures in China, and 16,000MW of generating capacity in operation, under construction or on order,



Robert Mao: 'This is a big, big market and getting bigger'

But telecommunications now leads the way. Sixteen joint ventures formed between 1983 and 1996 span virtually the entire range of modern com-munications, including digital switching, network management, integrated circuits, fibreoptic cabla and digital mobile communication systems.

Alcatel hitches wagon to Chinese growth

Alcatel Alsthom has invested about \$160m on the mainland. of which about \$100m has gone into telecommunications, with the balance shared between energy and transportation. In 1995 alone it ploughed \$100m into its China operations and expects to maintain this level of investment for the rest of the decade.

The centrepiece of the com-

its 32 per cent atake in the Shanghai Bell Telephone Manufacturing Co (China's Ministry of Posts and Telecommunication has 60 per cent and the Belgian government 8 per cent), whose output is forecast this year to be 5m lines from

Alcatel is using Shanghal Bell, established in 1983, as a springboard for other ventures Shanghai Bell is a partner, for example, with Shanghai Belling Micro Electronics producing integrated circuits and with Shanghai Bell Alcatel Mobile Communication for digital mobile networks. Mr Tchuruk says Shanghai

regional centres. This will be necessary, be says, because purchasing decisions are increasingly being devolved to provincial and municipal level. In the new scheme of things, Beijing, Shanghai, Taipei and pany's involvement in China is Hong Kong will be Alcetel'a "main operating points" for its telecommunication business, Mr Mao says. Beijing is where important policy decisions are made, Shanghai is where inno-

ilised for investment in Chinese infrastructure and Taipel is the headquarters of an its new \$170m factory in important Alcatel subsidiary. On the sensitive issue of his Talwanese origins and domi-cile, Mr Mao says there is no reason to believe Beijing will take a dim view.

"After all," he says, "to be politically correct, Taiwan is part of China, so I don't think anyone in Beijing would raise

Bell, voted the most successful

joint venture in China in 1995 in a China Daily poll, will

serve as a model for Alcatel

Alsthom's continued expan-

sion. He sees the greatest

potential in broadband wire-

ligent networks; nuclear power

and the provision of clean hurning coal technology; and

fast trains and the automation of China's transport network.

r Mao will co-ordi-nate Alcatel's dispa-rate telecommunica-

tions ectivities. He expects to spend about six months of

each year in China travelling

between the company'a

vations take place, Hong Kong

is where capital funds are mob-

less communications and intel-

NEWS DIGEST

Sons of Gwalia doubles at halfway

Sons of Gwalia, the acquisitive Australian goldminer which is one of the bidders for Perth-based Gasgoyna Gold Mines, yesterday announced an after-tax profit of A\$16.6m (US\$12.5m) for the six months to the end of December, almost double the A\$8.4m reported for the first half of the previous

The company said gold production reached 137,526 ounces, a record, and that revenues from gold sales were A\$91.5m. The average price received for gold sold during the first half was A\$660 an ounce, while the average cash costs for production were A\$338 an ounce.

The company added that, based on current projects, it expected to meet its previously-announced production target of 280,000 ounces of gold for the year. Pre-tax and post-tax profits were forecast at A\$46m and A\$30m respectively. However, with gold shares generally marked down yesterday, Gwalia lost 15 cents, to A\$8.90.

Gwalia's bid proposal would see it merging with Burmine, another junior miner, and making an offer for Gasgoyne, giving it a much enhanced interest in the prospective Yilgarn Star region in Western Australia. However, US-based Coeur d'Alene Mines is also making a rival bid for Gasgoyne. Nikki Tait, Sydney

Davids plans to bid for OIW

Further evidence of rationalisation in Australia's grocery sector became apparent yesterday after Davids, the New South Wales-based grocery wholesaler, said it was seeking authority from the competition authorities to make a takeover bid for Queensland's QIW. QIW owns the local Spar food retail

business, as well as food service operations. If it gained approval, Davids said It would offer three of its own shares for every two in QIW, valuing its target at about A\$107.5m (US\$81m). Davids added that it expected to report interim profits before tax and abnormals of more than A\$45m.

Foster's builds winemaker stake

Foster's Brewing Group, the Australian brewer, said yesterday that it now controlled 28.6 per cent of the shares of Mildara Blass, the winemaker for which it launched an A\$432m takeover bid last year. The offer is being extended until

Avon Products acquires Justine

Avon Products, the US-based company, is to acquire the privately-owned South African beauty products manufacturer and direct marketer Justine for an undisclosed sum, Justine

Justine would continue selling prestige segment products under its own name and would begin marketing a range of complementary Avon products "priced to reach every South African customer", it said. Reuter. Johannesbus

S Korea shows strong growth

Net profits of South Korea's listed companies rose 53 per cent in 1995, largely as a result of brisk sales in manufacturing, according to Tong Yang Securities.

In a preliminary report on 522 of 565 listed companies whose fiscal year ended in December, Tong Yang said a combined net profit rose from Won5,740bn a year earlier to an estimated Won8,780bn (\$7.44bn). Combined turnover was an estimated

Indonesian bank plans float despite low rating since a large number of new issues are

By Manuela Saragosa in Jakarta

Bank Negara Indonesia, the largest of Indonesia's five state-owned banks, plans to float later this year, despite a disappointing rating recently from Moody's, the credit rating agency. It has not been decided how much of the bank will be sold.

Mr Willy Sambalao, president direc-tor of BNI, was quoted by the business daily Bisnis Indonesia as saying that he hoped the bank would list on the Jakarts exchange in July.

Howaver, it remains to be seen a few weeks after Indonesia's state—lae shrugged off the rating's signifi-whether the bank will fulfil this aim — owned banks were given low ratings by —cance, noting that a D-plus rating had

expected on the Indonesian market this year, which will make a successful privatisation more difficult. These include London Sumatra, which operates a palm oil plantation.

Last year, Indonesia was forced to halve the size of its initial public offer for Telkom, the domestic telecoms company, and cut the price of Telkom shares to below their initial range. The government is keen to ensure that the next privatisation will go smoothly.

Mr Sambalao's statement comes only a few weeks after Indonesla's state-

Moody's Investors Service. The agency said state banks would have to grapple for several years to resolve current problem loans.

Moody's allocated BNI a financial strength rating of D-plus, noting that BNI has "a reputation of being managed professionally" but that its main challenge was "to balance its need to support government policies and activi-ties while maintaining commercial standards in order to meet the competitive threat from private banks".

In the newspaper article, Mr Samba-lao shrugged off the rating's signifi-

also been given to such big Japanese banks as Sakura and Tokai, and that investors would be looking for growth and profit potential. He said BNI posted profits of Rp405.8bn (\$177m) in 1995, up 31.3 per cent from a year earlier, The paper did not say whether profit was

Moody's said there were "qualitative differences in the credit cultures of the various [state] banks", that lending margins had been further depressed by "a large level of loans which have been restructured", and that the banks "are still burdened by a significant level of non-performing assets.

Won306,570bn won, up 23 per cent from Won248,970bn in 1994. Agencies, Segu

...but Real Today, Business is Global... Knowledge is Local.

Why has ABN AMRO Bank chosen Alfred Berg as its partner in the Nordic countries?

There are two obvious trends in the global financial markets. The players are getting bigger and bigger. And the trading pattern is becoming more and more global.

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Alfred Berg is the leading Nordic investment bank. It is a position that has taken 130 years to achieve. The strategy has been founded on an obsessive business idea and devoted staying power. Our obsession is that all suc-

cessful business is based on knowledge. Equity or bond investments, company acquisitions: the common denominator is knowledge about companies, markets, economics and politics.

Alfred Berg has a research staff of almost 60 people. None of our competitors can match this research commitment on Nordic companies and economy.

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knowledge about companies and markets and our strong business relationships with investors makes Alfred Berg the obvious partner for Nordic corporate activity.

The Alfred Berg Group also offers fund management services. Alfred Berg Asset Management has over USD

3 billion under management, in stocks and bonds, in funds or in discretionary accounts.

Over the last few years Alfred Berg has received numerous awards for its research skill and sales abilities. International papers, local financial magazines as well as independent market specialists have judged Alfred Berg "Best securities firm", "Number one research organi-

sation", "Best sales service" in competition with both Nordic and global competitors.

Backed by these plaudits Alfred Berg is now taking on its next major challenge: The capital markets in the Baltic countries and in Russia. Certainly still slumbering and undeveloped, but carrying an enormous potential.

Here, if ever, there is need for the Alfred Berg concept: Deeprooted knowledge and tenacious staying power.



INTERNATIONAL COMPANIES AND FINANCE

Restaurant side helps **PepsiCo advance 10%**

A turnround in the financial performance of PeosiCo's res-taurants division helped the US soft drink and fast food group report a 10 per cent increase in net profits to \$565m in the fourth quarter yester-day, excluding an accounting

Underlying earnings per share rose by 9 per cent to 70 cents a share, slightly ahead of the expected 68 cents. But reported net profits were reduced by \$384m to \$181m, or 22 cents a share, because of a non-cash accounting change.

Full-year net income, without the accounting change, rose from \$1.75bn to \$1.99bn, but the reported figure was

PepaiCo said earnings growth would have been stronger had it not been for the fact that last year's fourth quarter

Time Warner, the US media

group that is in the process of acquiring Turner Broadcast-

ing, reported cash flow 26 per

cent higher in the fourth quar-

ter at \$1.04bn, on revenues up

12 per cent at \$5.1bn. This was the first time that

quarterly cash flow had

Turner also produced a 12

per cent rise in revenues in the

quarter, to \$923m. However,

cash flow was more sluggish.

with a rise of only 4 per cent to

For the year, Turner's cash flow was 30 per cent up at

\$571m, on sales up 22 per cent

Time Warner agreed to pay \$7.5bn to take over Turner last

August. The deal is being scru-

tinised by US competition

authoritles, which may take

until the summer to reach a

By Tony Jackson in New York

exceeded \$1bn.

at \$3.4bn.

year's. On a comparable basis, full year earnings per share would have grown 15 per cent. Another factor that held

PepsiCo back in 1995 was the currency devaluation in Mexico, which is the company's biggest market outside the US. However, the company said this was countered by earnings growth of more than 20 per cent by its businesses outside Mexico.

PepslCo said that if the reporting periods had been the same length, its beverage division would have seen a fourth quarter volume increase of 3 per cent in the US and 5 per cent internationally. On a comparable basis, operating profits rose by 1 per cent to \$269m in the US but doubled to \$34m internationally.

Nearly 40 per cent of the international volume growth in beverages came from emerging markets in eastern Europe, central Asia and India, PepsiCo said, and the company had

Cash flow at Time Warner

breaks \$1bn in final period

est in the US after TeleCommu-

nications Inc, resumed its

growth in cash flow in the

fourth quarter after being held

back by government price caps

Cash flow in the quarter was

\$400m, an increase of 13 per

cent after adjusting for acquisi-

Official price caps on the

cable industry are to be lifted

as part of the telecommunica-

tions bill passed by Congress

The music division of Time

Warner, which has been sub-

ject to management upheavals

in recent months, increased its

cashflow by 18 per cent for the

quarter to \$295m, despite a 6

per cent drop in revenue to

The company said full-year

cash flow of \$775m, before \$85m of closure costs in the

third quarter, was the twelfth

The Time publishing division

successive annual record.

earlier in the year.

last week.

Time Warner's cable-TV divi- raised cash flow 11 per cent in

regained leadership of the cola market in important east Euroand Poland.

In the snack food division operating profits rose by 6 per cent to \$347m in the US but fell by 9 per cent to \$103m internationally

In the US, about 70 per cent of the division's sales growth came from the "Better For You" line of low fat or no-fat products, but international snack sales were down because of their heavy dependence on Mexico.

The restaurant division saw a big turnround from last year's troubles, increasing operating profits by 23 per cent to \$271m in the US and by 50 per cent to \$27m internation-

But much of the US increase came from gains on the refranchiaing of restaurants, while the international side benefited from the lapping of a consoli-

was based mainly on magazine

advertising, as well as overall

rises in circulation, partly off-

set by higher newsprint and

The WB Network - the TV

network launched a year ago in competition with the four

established operators - made a

loss of \$26m in the quarter and

\$66m in the year. The network

is claimed to reach 80 per cent

postal costs.

box office of 1995.

The Vampire,

to total 29.7m.

of US bousebolds.



Bollenbach checks into top slot at the Hilton

marked down Walt Disney shares briefly on Monday as a token of respect as Mr Stepben Bollentive of Hilton Hotels.

A simultaneous surge in the enhanced by the market's relief that Mr Barron Hilton, 68, had decided at last to step aside and content himself with

Mr Hilton, son of the late, legendary Conrad, had been chief executive since 1966 and chairman since 1979. However. be had developed an unhappy talent for irritating investors with his meandering, hesitant

His quest for the grail of enhanced sharebolder value

The choices presented to Mr Hilton - buying back group

stock and spinning off either hotels or gaming - were super-

three-star Garden Inns by the end of the decade - was unveiled shortly afterwards.

Mr Hilton, speaking at a press conference on Monday, said the scheme would be going ahead. Mr Bollenbach was not saying much.

ccording to the departing chief, who still holds 24.5 per cent of the group, Mr Bollenbach now has complete control. He will, Mr Hilton said, be "calling all the shots".

Mr Bollenbach, who had spent the two days between the surprise announcement of his appointment and starting work "relaxing in Arizona". said be still had too much to find out before he could talk He had, however, "done the

job before", he said. Mr Bollen-

bach, who will combine his presidential and chief executive roles with that of chief financial officer, was referring to the task of running a large

But the job Wall Street wants done is the restructur-ing of Hilton. This is a role Mr Bollenbach has tackled several times in the past - always speedily and, so far, without a

During his brief tenure as Disney CFO - less than a year - he was publicly credited with convincing Mr Michael Eisner. the group's conservative chief executive, that borrowing to buy Capital Cities/ABC in last year's mould-breaking \$19bn bid would be proper, prudent and profitable.

Apart from this diversion into "pure" entertainment, Mr Bollenbach's record appears custom built to deal with Hilton. He oversaw the restructuring - some say salvation - of Trump Hotels and Casino Resorts. In his last coup before moving to Disney, he split Mar-riott Corporation, relieving the profitable botel management interests of the burdens of the debt-laden property operations.

Christopher Parkes

AMERICAS NEWS DIGEST

Quaker Oats in red in second term

A \$40.8m restructuring charge and a \$19m write-off of excess inventories of Snapple, the soft drink, pushed Quaker Oats, the US food group, into a net loss of \$49m. or 36 cents a share, for its second quarter to the end of December. In the same period a year ago it reported a profit of \$33m, or 25 cents. However, Mr William Smithburg, chairman, said the group was better positioned for growth in 1996 as a result.

was better positioned for growth in 1990 as a result.

The December 31 quarter is the end of a transition period to change the start of the fiscal year. Fiscal 1996 began on January 1. Snapple, which was acquired in late 1993, had an \$80.5m operating loss in the second quarter, including \$24.4m in restructuring charges and the inventory write-off. US and Canadian grocery products sales fell 13 per cent, while international grocery products fell 40 per cent, due largely to the divestitures of the European pet food and Mexican

For the six months, group profits fell 87 per cent to \$12m or 9 cents a share, on revenues down 13 per cent to \$2.7bn.

Allstate beats expectations

Allstate, the US insurer, comfortably beat market expectations with after-tax profits of \$397m, or 88 cents a share, in the final quarter of 1995. The results, which compared with earnings of \$163m in the final months of 1994, were buoyed by steady premium growth and lower catastrophe losses. Revenues climbed nearly 10 per cent in the latest period, to \$5.9bn, aided by growth of 20 per cent in the group's smaller life insurance

operations and 8 per cent in its property and liability business. For 1995 as a whole, Allstate's combined ratio (expenses and underwriting losses as a proportion of revenues) fell to 100.4, from 111.3 a year before. Its underwriting performance in 1994 had been dented by after-tax catastrophe losses of \$1.8bn, largely stemming from the Northridge earthquake in southern California. Catastrophe losses in 1995 were \$607m, \$148m of which was incurred in the final quarter.

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Allstate's net income in 1995 as a whole climbed to \$1.9bn. compared with \$484m the year before, on revenues which were 8 per cent higher at \$22.8bn. That was equivalent to \$4.24 a share, up from \$1.08 in 1994. Richard Waters, New York

Sprint lifts earnings 34%

Sprint, the US telecoms company which last week finalised its international alliance with Deutsche Telekom of Germany and France Télécom, raised earnings in the fourth quarter by 34 per cent to \$278m before special charges. For the year, earnings rose 18 per cent to \$1.02bn, or \$2.89 a share.

The cellular phone business, which Sprint is due to spin off to shareholders around the end of the first quarter this year, raised operating profits 69 per cent in the year to \$145m, on revenues up 33 per cent at \$834m. During year, the number of customers rose 44 per cent to 1.5m. In the final quarter, average revenue per customer fell to \$51 from \$57 the year before, which Sprint said was in line with the industry.

In US long distance telephony, operating profits rose 47 per cent to \$204m on revenues up 13 per cent to \$1.9bn. Sprint said growth had accelerated through the year, with particular strength in the residential market. Minutes of use in the quarter were up 10 per cent, compared with 7 per cent for the Tony Jackson, New York

Greenwich Air expands

Greenwich Air Services, the Miami based aero-engine maintenance company, looks set to become the world's bigges independent aero engine overhauler after signing a letter of intent to take over the commercial engine services division of Aviall, the Dallas-based engine repair company. Greenwich said the price of the proposed deal was between \$260m and

Aviall's commercial engine services division had been making losses, and the company said last week it was putting it on the market. Included in the transaction are the maintenance and repair plants in Dallas and Forth Worth, Texas, and in Prestwick, Scotland; plus a components business in McAllen, Texas. The Prestwick operation, Aviall Caledonian Engine Services, employs about 850 people and won a Queen's award for export achievement last year. Greenwich has operations at Miami International Airport,

Bradley International Airport in Connecticut, JFK International Airport in New York, Westover Airport in Massachusetts, and in Melbourne, Florida. Mr Eugene Conese: chairman and chief executive, said the enlarged company would repair and overhaul 150 engines a month with sales in excess of \$750m a year and a customer base of 500 customers world-wide. Richard Tomkins, New York

Reverse at Canadian Pacific

Canadian Pacific, the big transport, energy and property group, ran up a loss of C\$989.7m (US\$718.9m), or C\$2.90 a share, for the fourth quarter of 1995 after special charges of C\$1.09bn, against profit of C\$100m, or 29 cents, in the 1994 period. Revenues were C\$2.2bn against C\$1.86bn. For the full year, the loss was C\$823.5m, or C\$2.41, against profit of C\$393.1m, or C\$1.16, on revenues of C\$7.9bn against C\$7.1bn.

CP had warned earlier it would take the heavy special charges for restructuring Its Canadian and US rail operations and its property unit in the fourth quarter. Its stock was little changed at C\$26.37 m the market.

At the operating level before the special charges, CP posted net profit of C\$470m in 1995 against C\$436.8m in 1994. The railway botels and coal units did better, but PanCanadian Petroleum, the biggest single profit contributor, came in lower because of weak natural gas prices. Robert Gibbens, Montreal

seded by speculation of a sellout of the entire group. Then a plan to spin off the gaming division, based around corporation. five Nevada casino hotels, was cancelled two weeks ago. The latest grand project - to venture into the mid-range US business hotel market and build a chain of more than 100

bacb, the entertainment group's chief financial officer, bowed out of Burbank and checked into Beverly Hills as new president and chief execuhotel and gaming group's market valuation was another measure of that respect,

The Warner Bros film studio raised cash flow 27 per cent to \$121m, helped by the domestic success of Batman Forever, claimed to have the highest US International releases being merely chairman. included The Bridges of Madison County and Interview with

Home Box Office, the pay-TV business, raised cash flow by 16 per cent to \$78m in the quarter. Subscribers to HBO and Cinemax, the group's other management style. pay-TV channel, rose by 2.7m

had led him into - and out of -several of the better trodden routes, following an analysis of the group by Smith Barney, the New York investment

Charge holds back **Baxter Intl results**

By Maggie Urry in New York

Baxter International, the US bealthcare company which is embroiled in a battle with Germany's Fresenius to buy W. R. Grace's kidney dialysis business, reported fourthquarter results yesterday showing strong growth in the biotecb and cardiovascular activities.

Results for the period were depressed by a \$26m after tax charge relating to the planned spin-off of the bealtbcare cost management business. announced last November. The spin-off is due to be completed by the end of 1996. Mr Harry Kraemer, chief

financial officer, said the group would increase earnings "in the high single digits" in 1996, and generate more than \$500m of cash flow from operations.

Before the charge fourthquarter net income was 17 per cent higher st \$202m and earn-

BRADFORD &BINGLEY

\$150,000,000

Floating rate notes 1999

Notice is hereby given that

the notes will bear interest at 6.4375% per annum from of 6.4313% per mount from 5 February 1996 to 7 May 1996. Interest payable on 7 May 1996 will amount to

£161.82 per £10,000 note.

JPMorgan

Agent: Morgan Guaranty Trust Company

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ings per share ahead 21 per cent to 74 cents. After the item, net income was ahead from \$172m to \$176m, and from \$596m to \$649m for the full

Earnings per share in the quarter were up from 61 cents to 65 cents, and from \$2.13 to \$2.35 for the year. The faster earnings growth reflects a share buy-back programme. Net income from the continuing husinesses - the medi-

cal technology side which would take in the Grace business if Baxter wins - rose 11 per cent in the final quarter to \$148m, with earnings per share up 15 per cent to 54 cents. For the year, net income from these activities fell from \$406m to \$371m, because of restructuring and litigation costs.

Those businesses being spun off increased net income in the quarter from \$39m to \$54m, before the \$26m charge. For the year, they raised net income from \$190m to \$278m.

The Financial Times plans to publish a Survey on

Slovenia

on Thursday, March 14.

The survey will discuss Slovenia's political stability and developments in that area; also its rapidly improving infrastructure. Other articles will include the economy, trade, banking and finance and industry. For more information on editorial content and advertising opportunities

available in the survey, please contact:

Mr Zeljko Paul Mandic Tel: +44 (0)181 399 8828 Fax: +44 (0)181 399 7196 Patricla Surridge Tel: +44 (0)171 873 3426 Fax: +44 (0)171 873 3204

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FT Surveys

SSUERS To bring together those who have money to invest with those who seek to raise it is a fundamental of internationa To do so in primary and secondary markets with skill and strength, in a way and at a price that leaves both sides well satisfied, is a fundamental of BZW. INVESTORS

INVESTMENT BANKING, FROM A



A DIVISION OF BARGLAIS BANK PLC

REGULATED BY SFA AND IMPO

COMPANY NEWS: UK

Record subscriber growth behind 93% rise and the payment of its maiden dividend

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BSkyB under fire from Lords and OFT

By James Harding and Raymond Snoddy

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The House of Lords last night inflicted a humiliating defeat on the government hy voting to keep sports events such as the Derhy and the FA Cup Final on terrestrial television by law.

In a convincing vote against the government the Lords pushed through amendments to ensure that the so-called "crown jewels" of the sporting calendar would not be bought up hy subscription television companies such as British Sky Television, the satellite ven-

The Lords rebellion came on the day the Office of Fair Trading decided to refer two exclusive sports agreements involving BSkyB and soccer's Premier League to the Restrictive Practices Court.

The OFT complained that the Premier League operated as a cartel because Premier League clubs were unable to sell their television rights to hroadcasters without League permission lt said the exclusive deal between BSkyB and the League also contained sig-nificant restrictions on trade.

The news knocked 22p off BSkyB shares to 393p despite the announcement of a 93 per cent increase in pre-tax profit to £106m (\$163m) in the six mooths to the end of Decem-

The vote in Lords is a particular emharrassment to Mrs Virginia Bottomley, national heritage secretary, who tried to head off mounting opposition in the Lords by publishing a discussion document on the issue last Friday.
The decision by the OFT was

condemned yesterday by both BSkyB and the Premier League. Mr Sam Chisholm. chief executive of BSkyB, called the decision Bridgeman too far" in a reference to Mr John Bridgeman, the director-general of fair

However he was confident of the outcome at the Court. BSkyB's profits were better than expected with record subscriber growth, and leading to the payment of its first dividend since flotation.

The company now offers 28 television channels to subscribers and will probably have more than 100 next year through the launch of a digital

Medeva, the acquisitive pharmaceuticals

company, has withdrawn from Germany

and the oncology market with the disposal

of Rihosepharm, its cancer drug husiness,

Dr Bill Bogie, chief executive, said that

because the husiness required a speci-

alised sales force, the group could not

exploit its existing international distribu-

Furthermore, he added, the group had

been unable to buy or license appropriate

products or husinesses to build the divi-

Oriel shares rise

on takeover talks

to Klinge Pharma for DM121.6m.

By Motoko Rich

tion system.

sion into a core area.

Shares in Oriel leapt a further

22p yesterday to 148p after the

insurance intermediary con-

firmed it was in talks that could lead to an offer being

made for the group. Oriel's

The possible purchaser is

understood to be Aon, the US-based broker, However, neither

Aon nor Oriel would confirm

A takeover of Oriel would further shake-up the UK insur-

ance market where smaller

companies are increasingly

looking for bigger parents that would give the financial strength to develop businesses.

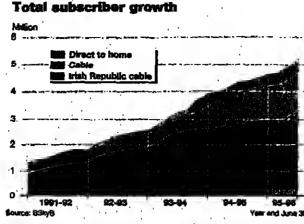
Oriel has confirmed that it is

6 miths to Nov 30 = 6 miths to Dec 31 Yr to Oct 31

6 miths to Oct 31

close to selling CGA Direct, its

shares rose 15p on Monday.



satellite service The profit was helped by a £44m reduction in net deht, as proceeds flowed from the December 1994 flotation. Operating profit rose by 34 per cent to £137m on turbover np 30 per cent to £464m.

Mr Chisholm said: "The last quarter of 1995 was our best ever; net subscriber growth of 354,000 was a record, and we signed up our flye millionth

Medeva withdraws from Germany

"Medeva is all about taking husinesses

Ribosepharm was acquired in May 1993

and developing them," he said, "But if you

cannot do that there is no point in watch-

for DM125.5m. In 1995 the husiness gener-

ated operating profits of £7.2m (£6.4m) on

The disposal significantly reduces the

gronp's exposure to Europe. Last year Ribosepharm contributed 6 per cent of

group turnover. Total sales in Europe com-

Dr Bogie said the proceeds would be

By Simon Kuper

erate, for \$51m.

Clyde Petroleum.

independent oil company, is

huying Marathon Petroleum

Indonesia from Marathon

International, the US conglom-

The purchase will give Clyde

a 31.25 per cent stake in the

Indonesian offshore Kakap oil-fields, which Clyde expects to

yield an average 43,000 barrels

of oil a day in 1996. The com-

pany estimated its share at 7,300 barrels after the Indone-

sian government had taken its

85 per cent share of all "profit

The Kakap oil would boost

Clyde's forecast production to

38,500 barrels of oil equivalent

a day (boed) in 1996. In 1995 h

produced an average of just

invested in new acquisitions, "We are

prised 10 per cent of group revenues.

huilding up a war chest," he said.

ing the business wither on the vine."

with DM121m Ribosepharm sale

sales of £15.5m (£14.6m).

household insurance telebrok-

ing husiness. The operation has been for sale for more than

six months and could raise

Oriel focused on its expanding

used and new car warranty

activities and creditor husi-

ness. Analysts thought a deal

to acquire those remaining husinesses could be worth

Mr Nigel Cayzer, Oriel chair-

man, said the group was "in tentative discussions" with a

third party but he could not

Aon is understood to have

approached Inchcape, the mar-

keting and services group, last year about acquiring its Bain

Hogg broking arm. Inchcape

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4.58 0.5 (3.84 0.18

comment on its identity.

decided not to sell.

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2.59

_Yr to Dec 31 9.54 (8.94) _Yr to Dec 31 84.94 (87.34)

That disposal would leave

more than £10m.

ing with satellite dishes and 1.56m through UK cable networks. A further 450,000 subscribe on cable networks in the Irish Republic. The subscriber total was up 17 per cent compared with the

same period last year. The increase in subscriber numbers has been reinforced by the amount of money they spend.
The number of satellite dish customer," subscribers taking at least one sports channels.

By the end of the year, BSkyB had a total of 5.18m 97 per cept and 72 per cent he believed the range of pro-



Sam Chisholm: "The last quarter of 1995 was our best ever"

take "the top tier package" of all the premium movie and

Analysts downgraded their 1996 fore-

casts from £92.5m to £87.5m as a result of

the sale. One said: "It is far better to cut

and run than carry on. The fact is they go

a 20 per cent pre-tax return so financially

Klinge Pharma is paying DM111.6m in

cash. The halance is being held as a secu-

rity against tax and other warranties. The

group estimated the net asset value of

Ribosepharm at December 31 to be £6.4m

and said the disposal would increase its

Dr Rogie said the group was not cur-rently considering further husiness dispos-

of about £140m.

flelds'

over 37,000 boed, giving sales

reserves at 70m barrels of oil at

the start of 1996. The company's net share would be 11m

Mr Roy Franklin, Clyde's

managing director, said the site's unexplored potential came to another 30m-40m bar-

rels. Clyde proposes to develop

at least one well during 1996.

Exploration costs at the site are fully tax deductible.

£1.5m on its entitlement of

1.3m barrels from the field. Mr

Franklin said the deal would

raise Clyde's gearing from the "mid-30s" to the "mid-40s", but

expected it to fall below 40 per

0.85

Total last

cent by the year-end.

MPIL's profit in 1994 was

gross remaining

it was not a bad investment."

net asset value by £42.8m.

Clyde Petroleum

buys in Indonesia

grammes available was responsible for the subscriber growth. Seven new programme services were added last October and

turnover

By Patrick Harverson

advances on

higher prices

Arjo Wiggins Appleton, the

Anglo-French paper group,

reported turnover np from

£788.9m to £969.9m (\$1.49bn)

in the fourth quarter of 1995. Turnover for the year rose 22

per cent from £2.91bn to

However, the turnover rises

masked a weakness in under-lying demand, being primarily the result of higher paper prices and contributions from

acquisitions made during the

year. Analysts said if these

factors were excluded, turn-

over was probably flat in 1995. Sales weakened in the second half of last year because of

customers' destocking as

paper price increases finally

began to show signs of level-ling. Rising prices had led to a

ers tried to hny paper as

Destocking was particularly

marked in the second half,

when demand fell so sharply

that paper groups were forced

to shut down large parts of their manufacturing capacity. Analysts said the fourth

quarter turnover figures were

in line with expectations, and did not persnade them to change their profits forecasts.

The consensus is for Arjo to

make profits of about £190m in 1995, compared to £217m in

the previous year.

cheaply as possible.

Arjo Wiggins DIGEST

Outsourcing by

Scottish Widows, the mutual life assurance company, is to transfer the administration of its £22bn (\$34bn) investment specialises in investment performance measurement and

collection and tax recovery - will he handled by WM. James Buxton and Nick Denton

Russia export deal by Middlesex

international trading company, and Sir David Alliance,

production capacity of 1.7m tonnes a year. Kenneth Gooding

A broader product base and expansion in continental Europe helped Gardiner Group, the security systems distributor, improve turnover from £80.6m to £90.4m (\$140m) last year. Mr Richard Clemons, chairman, said the group was now benefiting from its broader base; a quarter of sales came from

Decamber 1995

This announcement appears as a matter of record only

Sands Holdings (UK) Limited

US \$75,000,000

for the acquisition of Neste's UK North Sea upstream interests

> Joint Arrangers **BZW**

Providers of Funds Barclays Bank PLC ABN AMRO Bank N.V.

Christiania Bank og Kreditkasse

Technical Banks Bardays Bank PLC Canadian Imperial Bank of Commerce



Scottish Widows

LEX COMMENT

UK taxation

through dressing up income as capital gains. True, many of

the old loopholes have been closed. But no one should expect the tax experts not to find new ones. Another popular scheme

for reform aims to encourage "long termism", by charging less

CGT on gains from long term investments.

This is perverse: it deliberately sets out to make markets

less efficient. But even if the objective made sense, CGT

changes are unlikely to do much to deliver it because many of

the higgest alleged short termists, such as pension funds, do

And if, as seems likely, any changes are restricted to indi-

vidual taxpayers, it would be largely irrelevant because of the

small proportion of equities individuals hold, many of these in

None of this means CGT reform is a lost cause. There is

certainly scope for simplifying the tax, or for small-scale

reliefs targeted at entrepreneurs. But the hig ideas in this debate look suspiciously like expensive gimmicks.

Capital Gains Tax receipts

As ever, Conservative MPs

are energetically lobbying

unloved capital gains tax.

Their enthusiasm is under-

standable. CGT is over-com-

plex, high by international standards, probably discour-

ages entrepreneurs, yet

yields precious little for the

exchequer. The snag is that

it is probably a necessary evil. Cutting the rate - or ultimately abolishing the tax

altogether, as the prime min-

ister would like - would be

expensive. The reason is that

il would create lavish oppor-

tunities for tax avoidance,

not pay the tax.

portfolio to WM Company, the Edinburgh-based group which

It is believed to be the first outsourcing decision of its kind by a UK life assurance company. Although investment management outsourcing is common in the US it is still rare

While Scottish Widows will continue to manage the portfolio and decide where funds are placed, the administration including trade settlement, securities reconciliation, income

Middlesex Holdings, the metal trading company which operates in the Commonwealth of Independent States, has set up a subsidiary, Middlesex Balli, to export an annual \$300m of el products from Oskol Electrometallurgical Kombinat (OEMK) in Russia: -

Middlesex is providing \$5.1m towards the \$17.5m working capital and holds 51 per cent of Middlesex Balli. The remaining equity is shared equally hetween Balli Trading, another

chairman of Coats Viyella.

Middlesex has also been given the right to subscribe for 20 per cent of the capital of OEMK, which Middlesex says has a

Gardiner grows in Europe

the distribution of closed-circuit television and fire products; and 47 per cent of group profits were generated through European operations.

Revolving Credit Facility

CIBC Wood Gundy

Canadian Imperial Bank of Commerce Bank of Scotland

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Wood Gundy .



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182 - 16 21 DA in . Late 21 years in Marian Hand A e throse of the The Annah Milling Johnson terminate way fant i Bater Ger feit Matthey expands الجروفية والأرارة والمحار المسا in US For the seasons of the

By Christopher Price

Johnson Matthey, the precious metals and engineering technology group, yesterday underlined the strategy of expanding its electronic materials husiness with the \$40m purchase of the circuit board manufacturing operations of Cray Research, the US com-

puter group. The move is part of the UK group's attempt to reduce its reliance on the precious metals and catalytic systems husinesses, and follows the \$170m acquisition of Advanced Circuits (ACI), a manufacturer of

semi-conductor products, in September. Mr Geoff-Wild, president of Johnson Matthey's electronic materials division, said the tion facility would fit well with ACI's printed circuit

board business. In particular, the two acquisitions would combine well to exploit the growing demand for plastic laminated packaging for semi-

conductors. Half of the output capacity of the new production facility. based in Wisconsin will go to snpplying circuit hoards to

Revenues from the contract with Cray are believed to be ahout \$25m a year. The remainder of the capacity will be used to produce laminated boards for ACL

Full production is likely to be achieved within the next six months. Some 350 people, mostly engineers, work at the plant, which Johnson Matthey claims is one of the most

advanced in the US.
"We have the pieces of the jigsaw in place now to really take the electronic business forward", said Mr Wild.

Johnson Matthey has earmarked \$200m for investment in the division, which already contributes about 20 per cent of group revenues, over the next five years. Johnson Matthey shares rose

8p to 567p.

AUTOLATINA BRASIL S.A.

Investment Trusts

European Assets? .

Effective as of December 1, 1995, Autolatina Brasil S.A., São Paulo, has changed its legal name and form to

VOLKSWAGEN DO BRASIL LTDA.

The ownership of Volkswagen do Brasil Ltda. is now held by Volkswagen Comércio e Participações Ltda., a fully owned Brazillan subsidiary of Volkswagen AG. All duties of Volkswagen do Brasil Ltda. arising from the issue of the notes named below which are officially listed and traded on the Amsterdam Stock Exchange remain unchanged by this modification of name, corporate form and ownership. The unconditional and inevocable quarantee given by ABN AMRO Bank N.V. for the repayment of the Notes remains unchanged. The Notes in question are;

> US\$ 100,000,000.00 Guaranteed 71/2 percent Notes due 1997 13293 ASE Security Code. 003836622 Common Code XS0038366224

As from February 12, 1996, the above mentioned Noies may be presented to ABN AMRO Bank N.V., Herengracht 595, Amsterdam, to receive a stamp Indicating said changes.

The presented Notes will have to be accompanied by a list stating the numbers.

In order to handle the stamping free of commission for the noteholders, the members of the Vereniging voor de Effectenhandel will be compensated, according to Grouter 90-56 of the Vereniging your de Effectenhandel, with NLG 2,00 per denomination.

Amsterdam, February 5, 1996

ISIN-Code

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. Attac exceptional SUSM stock, TDutch floring. MI Comparatives for previous 12 months. U.S. \$53,000,000 Banco Internacional S.N.C. Floating Rate Notes Due 2000

Apr 12

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest Period from 7th February, 1996 to 7th August, 1996 the Rate of Interest has been fixed at 5.9375% p.a. and the interest Amount payable on the relevant Interest Period Date 7th August, 1996 in respect of each U.S. \$100,000 nominal amount of tha Notes will be U.S. \$3,001.74.

Standard & Chartered

Standard Chartered Capital Markets Limited 7th February, 1996

> FORD MOTOR CREDIT COMPANY U.S. \$ 250,000,000

FLOATING RATE NOTES DUE AUGUST 4, 2000

in accordance with the provisions of the above mentioned

Notes, notice is hereby given as follows: Interest period: February 5th, 1996 to May 7th, 1996 (92 days)

Interest payment date; May 7th, 1996 Interest rate: 5,5425% per annum Coupon amount US \$ 141.64 per note of US \$ 10,000 US \$ 1,416.42 per note of US \$ 100,000

BANQUE INTERNATIONALE BLANCE ALLIXEMBOURG

BUSINESS AND THE ENVIRONMENT

Basis for a building

esigners of a building intended as a model for low energy and "environmentally aware" offices of the next century are taking their philosophy right down to the foundations.

Crusbed concrete from a
12-storey office block being
demolished in central London is
being used in the Energy
Efficient Office of the Future,
under construction at the
Building Research
Establishment's Garston site in
Hertfordshire.

In what is said to be the first use in the UK of recycled aggregates in ready mixed concrete, the meterial from the old bank building is being used as coarse aggregate in more than 1,000 cu m of concrete supplied for foundations, floor slabs and structural columns.

The project is a practical demonstration of work carried ont by Rod Collins of BRE's inorganic materials division. Its aim is to show that crushed concrete can be put to high grade use as well as being used for site fill or for landfill

engineering.
Use of recycled aggregates
would thus support the UK'e
commitment to the principles of
sustainable development and
help achieve official targets for
the contribution of secondary
materials to aggregate

enpply.

According to BRE, the new concrete's handling characteristics, including its pumpability, have been excellent and completely unaffected by the use of the recycled materials.

The ready mixed concrete was produced et RMC's nearby Rickmansworth plant, using ground blast furnace slag, a by-product of the iron-making industry, to replace at least half of the Portland cement in the two different mixes.

The slag saves money, improves the chemical resistance of the concrete and works well with the recycled aggregate.

Andrew Baxter

rance'e nuclear tests in the South Pacific may have provided the main focus of controversy for anti-nuclear campaigners in recent months, hut for the people of Maki, a town in northern Japan, the big issue is right on their doorstep.

A plan by Tohoku Electric Power,

A plan by Tohoku Electric Power, the main electric utility providing electricity in northern Japan, to build a nuclear reactor in the town is hanging in the balance, and may become the latest casualty of rising anti-nuclear sentiment around the country.

Public anxiety over nuclear power is now having a direct effect on the nuclear equipment industry. Last month, in elections for the mayorship of the town, residents elected Takaaki Sasaguchi, who had been calling for the country's first referendum on the construction of a nuclear power plant.

The industry's problems have heen compounded by the recent leak of three tonnes of non-radioactive sodium coolant from an experimental fast hreeder reactor at Monju in western Japan. The reactor, Japan's newest, was closed down after the leak, but local residents want it shut permanently.

As a consequence of this mount-

As a consequence of this mounting anti-nuclear sentiment, domestic demand for nuclear plants is faltering, and equipment enppliers have been forced to scale down or restructure their nuclear plant divisions.

Little wonder, therefore, that Japan's nuclear power plant huilders are looking beyond the country's borders, in the hope that new demand from Asia could offset the problems they are facing at home.

Although Tohoku Electric announced the construction plan for the Maki reactor in 1969, the

announced the construction plan for the Maki reactor in 1969, the project has been fraught with problems from the beginning. The company paid local fishermen Y4bn (£25.5m) in compensation, but was forced to halt administrative procedures in 1983 as land speculators and anti-nuclear groups bought up small plots of land in the planned location.

The plan has divided residents of Maki, a town of 30,000. Calls for a referendum reviewing the reactor construction beightened in 1994 following an abrupt announcement by Kanji Sato, the then mayor who had been elected on an anti-nuclear platform, that he would support the construction of the nuclear power plant.

Sato, who has tried to obstruct a

referendum citing "political confusion", resigned last December following a request for his recall accompanied by signatures of 10,231 Maki residents. Atsuko Takashima, a supporter of

Sasaguchi, reckons that the changes in the resident profile of Maki, which has become a dormi-

Public opposition to nuclear power in Japan has forced utilities to go elsewhere, writes Emiko Terazono

Not in my country



The adverse climate for nuclear power has boosted the time needed to obtain local approval for the construction of reactors

tory town for the nearby city of Niigata, have broken old political influences and increased awareness over the nuclear issue.

And while the turnout for last month's elections was a record low 45.8 per cent. Sasaguchi reckons that many residents believed his victory was secure and did not bother to vote. This was because the pro-nuclear camp had failed to find a candidate due to the Monjn accident, which occurred a few weeks before the election.

Although the Japanese government's energy plan calls for the construction of 15 nuclear power stations over the next 14 years on top of the current 47 reactors to produce 70.5m kilowatts of power by 2010, there is a fear that the target may not be met.

may not be met.

Some utilities have already abanthe doned nuclear reactor construction
plans. Apart, from Tohoku Electric's
mil. problems at Maki, Kyushu Electric

Power recently announced a freeze on its plans to site a plant in Miyazaki on the southern island of Kyushu, due to strong local resis-

The adverse climate for nuclear power plants has boosted the amount of time and funds needed to

As a consequence of this mounting anti-nuclear sentiment, domestic demand is faltering

obtain local approval for the purchase of land and construction of nuclear reactors.

According to a survey by the Ministry of Trade and Industry (Miti), during the 1970s It took 10 years for an electric power company to start operating a plant once the plans were announced. However, this rose to 17 years during the 1930s and 25 years in the 1990s, and the problem could be aggravated by the Monju accident.

For the Japanese nuclear industry, therefore, the grass looks greener elsewhere. Asia's fast-growing economies are creating huge new demand for electricity, and more than 20 nuclear plant projects are being planned in parts of Asia including China and Indonesia. Japanese nuclear plant manufac-

Asia including China and Indonesia.

Japanese nuclear plant manufacturing groups which include Mitsubishi Heavy Industries, Hitachi and Toshiba are eager to enter the expanding market. Mitsubishi is interested in Indonesia's plant project, while Hitachi and Toshiba will team up with General Electric to bid for Taiwan's planned nuclear reactor.

The overall slowdown in new orders has prompted Japan's nuclear power plant makers to

restructure their operations. Ishikawajima-Harima Heavy Industries said it would reduce the workforce in its nuclear power plant division by 200 to 850 over the next few years by shifting employees to other parts of the company. Hitachi also plans to send some of its nuclear engineers to its semiconductor division

The slowing demand in Japan is especially severe for Mitsubishi group, led by Mitsubishi Heavy Industries which specialises in pressurised water reactors (PWRs).

No plans for PWRs have been

No plans for PWRs have been announced since an accident in February 1991 at the Mihama PWR plant, which Mitsuhishi hulit for Kansai Electric Utility north of Kyoto. A broken plpe caused 55 tonnes of radioactive water from the primary cooling system to be released into the secondary system which powered the turbine.

Mitsubishi has no new orders after a PWR it is currently building for Kyushn Electric. New reactors planned for construction in Japan over the next five years have been boiling water reactors, which are made by groups led by Hitachi and Toshiba, although PWRs still dominate the international nucleer industry.

industry.

Mitsubishi is eager to fill the gap with orders from Asia and says it is probably able to construct a reactor with the expertise it has accumulated domestically. "With other countries cutting down research and development and personnel, Japanese companies have expertise in actually using new technology and building new plants," it says.

and binding new plants," it says.

But Japanese companies are more likely to team up with their European and US counterparts for projects in Asia rather than bidding alone partly because they are latecomers to the market and partly due to the fact that Japan has yet fully to develop nuclear waste reprocessing.

"The chances are that Asian countries will want to offer the project to a company or a consortium which has nuclear waste reprocessing know-how," says an official at a

Japanese plant maker.

The Japanese government is also ready to back the companies by enhancing ties between Asian companies by offering training projects for nuclear regulators. Starting next fiscal year, Miti is planning to accept officials from Asian countries in charge of regulating their nuclear industries to offer training.

In Maki, meanwhile, the newly appointed Sasaguchi says he is not a proponent of a freeze on Tohoku Electric's nuclear plant in Maki, but wants local leastdents to decide. His first challenge will be passing the town's budget for next fiscal year in March through the town assembly, where the pro-nuclear camp holds a marginal majority.

Net turns green

rofters in the Scottish highlands could soon be using the Internet to search for information that will help them assess the environmental impact of their farming and land management decisions as part of a project with Edinburgh University.

The crofters, together with a forestry group from Valencia in Spain, will join researchers from the Netherlands, Germany and the UK in a £250,000 project to develop and try out software to hack up their long-term decisions about the land.

"We would like to explore to what extent computer technology could be useful in gathering and manipulating information for us," says Bill Ritchie from the Assynt Crofters Trust.

1947 F

Four years ago, the crofters hought 21,000 acres in the northwest highlands of Scotland on which they are tenants. They now have many plans for the land, but it is in an environmentally sensitive area and they want to assese the impact of their plans on the ecosystem.

their plans on the ecosystem.

Ritchie explains that they hope to build a hydro-electricity generation plant which involves raising the level of a loch. "We want to jndge what the long-term effect of that would be on the fishing in the loch and what we can do to minimise any damage," he says.

Ritchie is hopeful that the crofters can gain access to other studies either through the Internet or from other sources. Computer modelling could then apply the data to their own local circumstances.

The Valencian foresters are looking at restoring land that has been burnt by wildfires and want to find information to assist them.

The project will initially last one year, but is tikely to be extended for up to four years in order to set up the farmers with the right equipment and skills to use the information they find. It is being funded by the European Union.

Deborah Hargreaves

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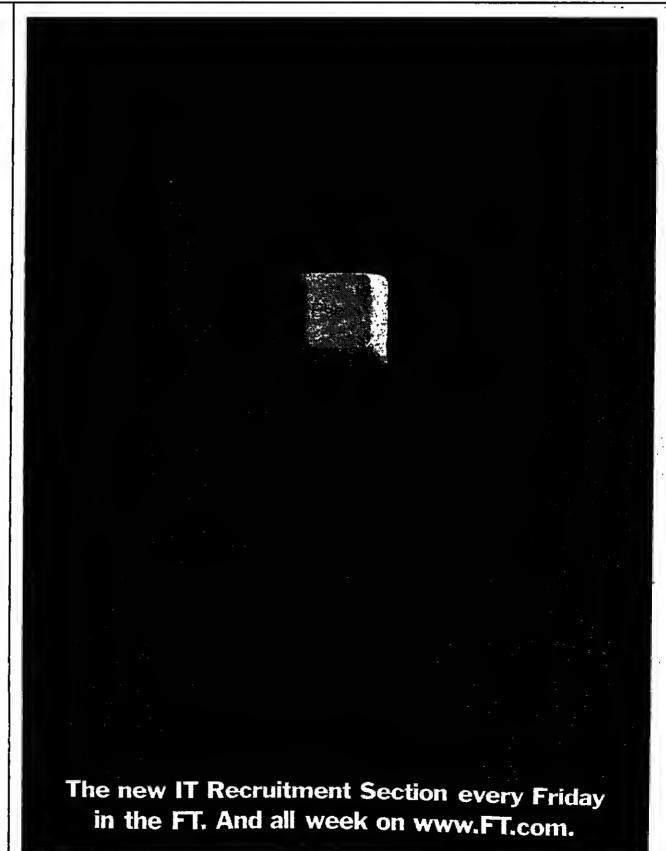
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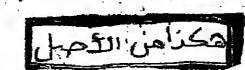
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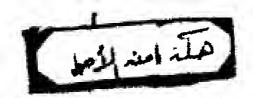
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COMMODITIES AND AGRICULTURE

Brazil halts gold trading to quell rumours

By Jonathan Wheatley in Sao Paulo and Kenneth Gooding in London

11.1RY-1996

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In an unprecedented move, Brazil's central bank, frustrated that it has not been able to quell persistent rumours that a rogue trader has left it desperately short of gold, has stopped trading the precious

The bank has also called on the US Commodities Futures Trading Commission to investigate the source of the rumours which it suggests were started

manipulate the gold price As frequent denials have

failed to prevent the rumours from getting ever more outlandish - at the end of last week it was being suggested the bank was short of as much as 2,000 tonnes of gold, equivaient to virtually the entire onnual output of all the world's gold mines - the bank said it would stop trading the metal to provide conclusive proof it was not short.

Traders pointed out that the

the bank stopped long enough for all its contracts to expire. This seems to be what it has in mind because Mr Joubert Furtado, head of its foreign reserves department, said the bank would stop trading gold "for an indefinite period, probably some weeks".

He added: "The bank has taken this unprecedented step in order to demonstrate that It is not, as rumoured, extremely short of gold. We want to make it clear that the bank is not in the position of having to buy

speculation would end only if gold, especially at a time when prices have been pushed higher hy speculation"

Mr Furtado suggested that one of 12 gold traders through which the hank occasionally operated was "using the bank's name to manipulate the market". He suggested the trader would be subject to penalties under US law and that the central bank would seek compensation, although he would not

specify in what form.

Most analyst had dismissed the rumours, first denled hy the hank in October, then

again in January and finally last week, As Ms Rhona O'Connell, analyst at stockbroker T. Hoare & Company, pointed out, while there was a precedent for central banks, particularly in Latin America, using gold options as a method of asset management, Brazil's central bank gold boldings amount to only 147 tonnes so any trading in the volumes the market was suggesting was thus hugely out of killer with the physical and would have had to have been spread very

The SFE claims that the new options, which will trade for the listed months of April, June and August and expire on the Friday prior to the wool futures contract delivery, should belp growers lock in a minimum price for the wool they produced. Mr Les Hosking, chief executive of the SFE, said that the contract should appeal to "smaller market participants who are seeking a risk management tool which has limited risk potential".

contracts covering 125,000 farm bales of wool have now been traded, with activity particularly marked since Octo-

Australia 'set to become second biggest producer' in 1995-96 to around 360 tonnes "These factors are expected there'll be an increase." Last year, BHP won a 124

By Nikki Tait in Sydney

Australia could become the world's second largest gold producer, after South Africa, hy the end of the decade, according to forecasts from the Australian Bureau of Agricultural and Resource Economics, the government-owned forecasting agency. At present it is a significantly smaller producer than the US.

Reporting to Abare's annual conference, which opened in Canberra yesterday, research analysts snggested that Australian mine production could increase hy about 36 per cent, from an estimated 274 tonnes

in the year 2000-01. The prediction is based on a rise in the gold price from

around US\$400 an ounce in 1996, to US\$445 an ounce in 2000-01. In real terms, this would assume a rise until about 1997, and a tapering off thereafter. "in real terms, the gold price is projected to remain reasonably flat over the outlook period," said Mr John Cairns, principal research offi-

The production is predicated on strong growth in exploration expenditure, the presence of economic reserves and industry margins.

to lead to the development of many new and expanded projects which will result in Australia becoming the second largest gold producer in the world by the end of decade," he Mr John Hannah, general

manager of BHP Australia Coal, said yesterday that he expected annual negotiations with the Japanese steel mills over hard coking coal price to be settled fairly shortly. He also anticipated some overall price increase, although less marked than last year's, "It won't be last year's price rise, which was an unusual one, but

per cent price increase, but also accepted a cut in hard coking coal tonnages from 7m to 5.8m tonnes.

• The Sydney Futures Exchange is to introduce options on its wool futures contract from Fehruary 19, the first option contract linked to a commodity futures contract on the SFE. The exchange said that the move formed part of its overall strategy of expanding its role in regional commodity trading.

The wool futures contract itself got off to a slow start last year, but around 5,000

By James Whittington in Cairo

By Alison Maitland

The European Uninn has a

"unique window" of up to four years for a public debate on

reforming the common agricul-

tural policy before external

events force change, a senior

European Commission official

said yesterday. Mr Russell Mildon, director

of international affairs relating

to agriculture, told the annual

conference of the National

Farmers' Union of England and Wales: "Over the next few

years we have a window of sta-bility. The aggressive [trade] diplomats in Geneva will leave

us in peace until 1999. It is implausible that any central or

east European country will

He added: "The important

Mr Mildon outlined the com-

thing is to have a public debate

and establish a consensus

join the EU before 2000".

In a move that should help to ease pressure on the international market for the supply of long staple cotton varieties, the Egyptian government this week has lifted its ban on cot-

too exports. Last season, Egypt captured 27 per cent of the world market for long staple cotton with exports of 67,000 tonnes, But this season, in an attempt to protect public sector textiles mills from a shortfall in supply

policy unsettled local farmers and traders. The lifting of the ban only covers exports of extra long

and domestic rising cotton prices, the government delayed Analysts in Cairo expect any announcement on exports export volumes to be the same until local consumption had as last season. But Mr Atef Obeid, the public enterprise Egypt's main overseas buyminister, has said he wants 10 see a dramatic increase io ers in Italy, Japan and Switzerland were quietly assured that volumes over the next few deliveries would take place years hy reserving special

compensation payments.

Mr Mildon added that the

commission would seek to

begin reforming sectors

untouched in 1992 such as

the floor about changes in the

milk quota system, he said the

commission was "not drafting reforms of the quota system

that will hit the public domain

The conference earlier heard

in the next six to 12 months".

Mr Don Kenyon, Australia's ambassador to the World Trade

Organisation in Geneva, call for far greater liberalisation of

price stability would be "the fundamental point of differ-

ence" between the EU and the

Cairns group of 14 exporting

nations including Australia,

which account for 20 per cent

round of world trade talks.

Mr Mildon said agricultural

agricultural trade.

Answering a question from

sugar and dairy production.

exports. No export prices have been announced yet. US pima prices are at \$1.80 a pound, compared with an average of \$1.30 during staple varieties - Giza 45.76 the 1994-95 season.

areas for planting cotton for

MARKET REPORT

Coffee prices stronger as investment funds return

London Commodity Exchange robusta COFFEE futures extended early gains yesterday afternoon to end 2.4 per cent up on trade and fund buying and speculative short-covering in the absence of significant producer selling, traders said. There has not been origin selling in any great shakes now for some time. . . Bnt

they do sell bits and pieces when prices rise," said one, Traders said London's afternoon gains were sparked by a strong performance from New York's arabica contract. At the close the secondmonth May contract was up

COMMODITIES PRICES

\$45 at \$1,919 a tonne, compared with the day's high of \$1,950 a There was good fund huy-

ing in New York, forcing the contract through [bnying] stops [stop-loss orders]," said London trader. At the Cocoa, Sugar and Coffee Exchange coffee futures were sharply higher at midsessinn, with the key March contract up 4.60 cents at \$1.25% a pound.

I think industry is a little nervous. . . A few were caught out on Monday," said a trader, explaining that they missed the chance to fix when prices slipped on Monday to a low of LME WAREHOUSE STOCKS (As at Thursday's close) +4,750 to 665,350 +140 to 87,380

Other traders noted that while the industry's stocks seemed to be running low, the trade was nervous over the huild-up of long positions after the market's recent run-up.

Trading in base metals was sluggish on the London Metal

Exchange, with little significant price movement seen, and values were mixed by the close of the after hours "kerb" ses-

Traders said market leaders COPPER and ALUMINIUM had settled into tight technical ranges, with that trend being matched by the other metals. LME Warehouse stock data announced yesterday morning had little lasting impact. "We have settled into a \$20 range, based on \$2,520-\$2,540,

boil," a copper trader said.

Dips below the floor were

largely due to metal moving out of the Hamburg warehouse for end-users, Final three months business was at \$2,527 up \$4 a tonne from Monday's kerb close.

around overnight levels.

business was conducted

4.725 tonnes on Tuesday.

Copper stocks declined by

Aluminium was well defended below \$1,600 once more, but lacked the impetus to break above \$1,620. The last trade was at \$1,508 a tonne, and husiness has gone off the down \$2. Stocks rose by 4,750 tonnes, a reflection of relaxed consumer interest. well defended today, and most Compiled from Reuters

North Americans vie for Philippines mine

the three companies, Phelps

this season but the four month

delay in announcing an export

EU has four-year 'window'

mission's recent internal

He said it had rejected the

debate on the shape and pace

status quo as untenable in the

long term. On the other hand.

radical reform - including

aholishing price support and

phasing out compensation pay-

ments - would threaten EU social and environmental poli-

The commission had chosen

"a middle way", continuing the

approach begun in 1992 with the MacSharry reforms.

"Gradually we are to wean ourselves off the old-fashioned

This involved widening the

reforms to cover sectors such as fruit and vegetables and

wine, and deepening the

reforms in other sectors, nota-

hly cereals. He did not elabo-

rate on whether this meant

further cuts in support prices

or a reduction in arable area

subsidisation process."

Egypt lifts cotton export ban

been satisfied.

for farm policy reform

of future reform.

By Edward Luce in Manila

Three north American companies are vying to hid for full ownership of the 550m peso (US\$20m) North Davao Mining Corporation under the Philippine government's mine privatisation scheme. Officials said this week that

Dodge of the US and two Canadian groups, Placer Dome and TVI Resources, were undertak-ing "due diligence" reviews on the North Davao Mining claim, which has an estimated reserve of 103m tonnes of copper ore. The winning hidder would also have to invest up to plan to start operations in 1997.

US\$33m on rehabilitation of mining facilities. TVI Resources and Echo Bay Mines, a US company, last year

bought the option to the Kingking gold and copper mine from Benguet Corporation of the Philippines for \$30m. The North American companies

BASE METALS__ LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading) R ALUMINIUM, 98.7 PURITY (5 per tonne)

	Cosh	3 miles
Close .	1584-85	1609-9.5
Previous .	1584.5-85.5	1607-8
High/low	1582.5	1814/1605
AM Official	1582-82.5	1607-08
Kerb close	222.537	1007-06
Total daily tumover	52,734	
M ALUMENIUM ALL		
Close	1350-60	1385-95
Previous	1350-65	1383-85 1391/1380
High/low AM Official	1350-60	1385-95
Kerb close	1000 00	1385-05
Open int.	5,029	
Total daily turnover	1,716	
■ LEAD (S per tonne	9	
Close	759-61	760-61
Previous	767.5-8.5	765-66
High/low	.0	763/57
AM Official	761-62	760-61
Kerb close		757-58
Open int.	36,335	
Total daily tumover	6,325	
NICKEL (5 per tor		
Close	8325-35	8425-30
Previous	8375-85 8325	8475-80 8516/8400
High/low AM Official	8320-25	8410-15
Kerb close	DUEV ES	8395-8405
Open Int.	42,561	
Total daily turnover	9,656	
TIN (5 per tonne)		
Close	6210-20	6250-55
Previous	6175-85	6215-20
High/low		6285/50
AM Official	6208- 10	6245-50 6240-50
Kerb close Open Int.	15,824	6240-00
Total daily turnover	2.363	
E ZINC, special hig	h grade & per	tonne)
Close	1041.5-2.5	1063-64
Previous	1053.5-4.5	1074-75
High/low		1071/59
AM Official .	1041-41,5	1062-63
Kerb close		1059-60
Open int.	82,193 18,358	
ental daily turnover		
COPPER, grade /		
Close .	2668.5-70.5	2525-26
Previous	2562-84	2517-18 2530/16
High/low .	2567-68	2522-29
AM Official Kerb ciose ·	2301-00	2528-27
Open Int.	179,438	
Total daily turnover	56,899	
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IN LIME AM Official	A.S. LEWIE 1"201	-

T17.10 +0.15 117.90 116.25 116.35 -0.10: 117.30 175.50 115.16 -0.10 115.50 115.50 1,083 8,880 -712 -0.10 114,60 113.30 213 -0.10 112.50 111.50 154 PRECIOUS METALS

Sout: 1.5407 3 mile: 1.5968 8 mile: 1.5342 9 mile: 1.5267

LME Closing 2/5 rate: 1.5410

E LONDON BULLION MARKET Prices supplied by N M Rothschild \$ price 410.80-411.20 412.20-412.60 412.20 267.819 423.197 .412.30 267.501 495.214 412.70-413.10

Locs Lde Mean Gold Lending Rates (Vs USS) ...3.55 12 months 9/10y 62 373.90 379.10 383.70 394.05 575.28 582.00 587.78 600.25 € equiv. 267-269 Gold Coins Krugemend Maple Leaf \$ price 411-414

62-64

PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 431.0 -2.0 433.0 427.5 3,180 16,199 433.3 -2.1 434.0 430.5 210 3,357 435.5 -1.9 436.0 433.5 119 1,335 437.4 -1.9 - 2 56 3,500 22,847 PALLADIUM NYMEX (100 Troy CE.; S/Troy OZ) 142.05 -1.75 142.50 139.50 1.325 4,535 143.35 -1.85 144.00 141.25 152 2.471 144.75 -1.70 - 12 75 148.00 -1.76 - 13 57 R SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) 577.7 -3.6 562.0 572.0 16.534 64.999 582.9 -3.8 586.0 577.0 2.362 17.375 587.2 -3.8 588.0 581.5 851 6,515 591.6 -3.8 590.0 586.5 61 9,916 19,609 111,128 17.43 25,366 75,178 17.06 19,434 58,041 18.97 7,878 42,736 16.88 6,662 37,035 16.83 3,869 28,096 16.77 E CRUDE OIL IPE (5/barrel) 15,72 2,236 19,913 1,115 18,321 HEATING OIL HTMEX (42,000 US gods; cluS gods.) 51.59 90.50 22.715 34.505 49.00 48.40 7.312 15.952 47.25 46.90 2.974 10.892 46.55 46.30 725 6,170 46.55 46.90 341 5.207 37.963 99.174 R GAS OIL PE (S/10016)

Precious Metals continued WHEAT LCE (E per tonne) ■ GOLD COMEX (100 Trpy oz.: \$/troy oz.) 412.0 -1.0 415.0 419.1 101 1,069 414.6 -1.3 418.3 412.5 35,478 129,774 417.2 -1.2 416.9 415.0 2.925 32,410 419.1 -1.0 419.6 417.7 9.07 10,985 421.0 -0.9 419.5 419.5 16 4,243 422.9 -0.8 424.0 420.8 839 13,158 42.08 23,445 May Jul Sep Dec Mar Total 185.75 -3.75 172.00 165.50 9.316 19.838 156.75 154.25 7,582 149.50 148.25 2,542 -125 156.75 154.25 -0.75 149.50 148.25 2.542 1 -0.60 146.75 145.50 252 -0.73 145.60 144.75 128 -0.75 145.25 145.25 20,488 75,044 2.950 +0.075 2.055 19.57 5.950 18.203 1.970 +0.060 1.975 1.915 3.251 17.121 1.930 +0.043 1.930 1.890 1.402 11.935 1.910 +0.045 1.910 1.875 1.041 9.077 1.855 +0.036 1.886

All futures data supplied by CMS. 1,915 3,251 17,121 1,890 1,402 11,935 1,875 1,041 9,977 1,870 413 9,365 35,817 147,070 R UNLEADED CASOLINE NYMEX (42,000 LIS pals.; c/LIS gras.) -0.06 -0.03 52 40 51 50 10,897 24,591 54.45 53.75 4,060 16,625 4,060 16,825 919 8,967 427 5,127 54.16 53.55 53.75 53.10 52.40 52.25

GRAINS AND OIL SEEDS 121,15 -1,30 122,00 121,05 718 2,170

122,90 125,10 118 37 119 52 1,983 3,619 520 163 -1.10 125.85 111.50 -0.25 112.25 111.50 113.00 -0.25 113.05 112.80 R WHEAT CST (5,000bu min; cents/60b bushel) R COCOA CSCE (10 ton 522.50 +4.75 524.00 517.50 12.042 40,782 498.75 +6.00 498.00 488.00 2,973 16,348 457.00 +9.00 458.00 448.00 6,726 38,966 1287 1312 1332 1351 1380 1412 6,726 36,966 427 7,026 425 4,372 15 178 +7 00 456,00 448,50 +7.00 484,00 456,50 - 389,25 388,78 COCOA (ICCO) (SDR's/tonne) ■ MAIZE CBT (5,000 bu min: cents/56tb bushet) 263.50 +2.00 563.75 359.25 37,162 163,643 367.25 +2.00 367.50 363.50 17,332 137,842 364.00 +1.75 364.25 360.75 6,879 91,975 313.25 +2.00 373.50 310.50 1,886 28,666 +1.75 300.75 296.00 6.238 62.028 B BARLEY LCE (£ per tonne) 112.75 -1.00 113.25 112.75 108 720 114.40 -1.10 115.25 114.50 13 388 107.90 -0.25 110.00 109.95 83 187 110.00 -0.25 110.00 109.95 -3 3 187 112.00 -1.50 - 32 ■ COFFEE 'C' CSCE (37,500lbs; cents/fbe) 118.40 -1.25 127 50 118.75 4248 12.778 117.00 -1.25 124.50 116.30 2.774 9.595 115.05 -1.95 122.50 114.25 414 3.354 114.45 -1.55 120.00 114.00 95 1.857 - 32 294 1,324 IN SOYABEANS CET (5,000bu min; ceets/60th bushel) 729.25 +5.50 730.00 721.50 28,353 73,743 738.00 +5.25 738.50 730.50 7,749 38,844 743.75 +6.00 744.50 735.00 5641 36,421 743.25 +7.76 742.50 735.00 369 3,197 724.00 +0.00 725.00 716.25 233 3,017 713.00 +8.50 714.00 703.25 8,782 40,630 113.00 -1.50 119.40 113.00 ■ COFFEE (ICO) (US cents/pound) 24.12 +0.03 24.13 22.97 4.751 36.337 24.46 +0.01 24.48 24.33 2.090 20.428 24.84 +0.04 24.85 24.70 1,253 15,425 24.98 +0.03 24.98 24.88 14 4,044 25.15 +0.05 25.15 25.05 61 2.077 25.27 +0.02 25.30 25.15 68 1,754 No7 PREMIUM RAW SUGAR LCE (cents/lbs) WHITE SUGAR LCE (S/torne) +1.5 20.7 228.2 10,786 37,470 +1.7 233.8 231.3 3,923 22,263 +2.1 235.5 232.7 1,897 18,283 +2.1 235.6 232.7 1,77 3,174 +1.5 231.5 229.7 362 2,588 +2.2 226.5 223.8 217 1,494 SUGAR "11" CSCE (112,000/bs; cents/fbs) 12.00 -0.19 12.25 11.86 5.432 60.834 11.22 -0.09 11.32 11.08 2.878 34.291 10.41 -0.05 10.43 10.33 1,154 24.35 10.15 -0.05 10.15 -0.05 10.22 25.664 9.97 +0.02 9.99 9.88 374 13.040 9.88 +0.04 8.88 9.87 113 1.876 POTATOES LCE (E/tonne) +8.5 180.0 176.0 +2.5 200.0 200.0 23 2 R COTTON NYCE (50,000/bs; cents/fbs) R FREIGHT (BIFFEQ LCE \$10/Index point) 84.10 -1.75 85.70 84.90 4.133 19.112 84.75 -1.60 8820 84.80 1.990 15.541 85.06 -1.37 884.5 85.01 1.358 10.338 80.05 -0.05 80.05 72.75 245 1.963 77.60 -0.18 77.85 77.52 219 12.485 1395 1376 1381 1378 1364 1377 1296 1296 1350 1330 200 71 121 3 16 437 413 R ORANGE JUICE NYCE (15,000ths; cents/ths) 118.45 -2.65 122.25 117.60 5,691 12,643 120.55 -2.60 123.90 119.00 2.394 122.50 -2.25 125.00 122.50 235

1389 1380 1381 1282 1330 1388 FUTURES DATA

Minor Motels
European free market, from Metal Bulletin, S
per its in warehouse, unless otherwise stated
(ast week's in brackets, where charged), Amimony 99.6%, S per torne, 3.375-3,450 (3.2753,400), Bianneth: min. 99.99%, torne lots 3.804,15 (3.85-4.16). Cadmium: min. 99.95%,
170-180 (180-195) conts a pound. Cobast: M8
tree market, 99.8%, 31.25-32.00 (31.50-32.50);
99.3%, 27.80-28.30 (28.00-28.50), Mercury:
min. 98.99%, S per 76 ib flask, 150-170.
Molybdanum: dnamned molybdic codds, 4.20-Malybdenum: drammed malybdic codd, 4.20-4.40, Selenium: min 99.5%, 3.70-4.40 (3.75-4.45), Tungeten ore: standard min. 85%, 5 per forme unit (10kg) WO, off, 60-58. Venedium: min. 96%, cit, 2.85-3.00 Uranium: Nuexco exchange value, 18.00.

MEAT AND LIVESTOCK MILIVE CATTLE CME (40,000 tos; cents/tos) ■ COCOA LCE (E/tonne) Sett Day's Open Price change High Low Vot int 910 +6 911 902 2,480 17,211 63.850 -0.250 64.400 63.800 8,406 12,691 64.175 -0.425 64.750 64.125 8,461 33,608 934 956 975 994 1014 934 956 975 994 1016 64.175 -0.625 64.750 64.125 62.075 -0.175 62.400 61.975 61.377 -0.075 61.525 61.300 62.400 -0.025 62.500 62.200 61.825 +0.025 61.900 61.700 949 970 988 1007 265 10.502 109 35,383 .830 12,627 3,418 15,985 1,482 7,901 852 7,637 665 3,992

1267 2.496 24,603 1292 2.309 29,295 1316 658 10.464 1336 93 10.569 1375 237 9.538 1392 201 7,247 6,009 94,313

1375

Price 110.99

+48 2725 2045 1,988 15,975 +44 1950 1873 2,081 12,024 +33 1890 1820 597 4,074 +43 1868 1797 156 2,317 +41 - - 1,074 +25 - 24 102

1,176

4245 33,704

10,893 157,913

7,963 62,163

2,552 23,498

year ago 231.95

123 50 -2 25 125 90 124 00

NYCE, CIME and CSCE are one day in streams.

Feb S month age 2177.8 2109.8

■ RELITERS (Base: 18/9/31=100)

CPB Fatures (Base: 1967=100)

Feb 5 Feb 2 month ago 245.84 248.30 245.92 © GSCI Spot (Base: 1970±100)

123.50

INDICES

5,557 1,685 1,403 569 1,487

47-275 +0.550 47-350 46-425 3,476 3,772 48-475 +0.800 46-500 45,300 3,456 14,125 51,775 +0.650 51,800 50,775 1,175 8,763 50.650 +0.800 50.675 49.600 49.300 +0.450 49.400 48.450 R PORK BELLIES CME (40.000fbs; cents/lbs)

55.500 +6.825 55.900 54.200 55.775 +0.725 56.050 54.350 1,012 2,826 387 1,543 105 1,144 1 238 2,731 6,913 56 325 +0.350 56.675 55.450 53.008 +0.300 53.000 —

LONDON TRADED OPTIONS May 19 54 115 Mzzy 126 64 26 1700 . R COPPER Mar --1500 ...

LONDON SPOT MARKETS

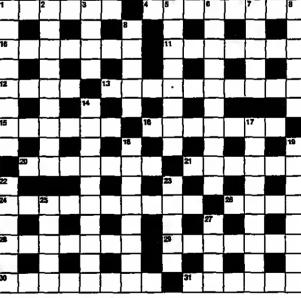
CRUDE OIL FOR (per berrel/Mar) \$16.61-6.63 S165-172 Heavy Fuel Cul Naphthe Jet fuel \$90-92 \$167-168 2171/359 8792 R OTHER Gold (per troy oz)? \$427.20 Patiacium (per troy oz.) 123.00 Copper Lead (US prod) 41.75c 15.72m Tin (Kuala Lumpur) Tin (New York) -0.09 Cattle (inte weight)†
Sheep (ive weight)† 131.**35**0 109.27p Pigs (live weight)? Lon. day sugar (raw) Lon. day sugar (wie) 121.5u 150.5z Barley (Eng. feed) Maize (US NoS Yellow) Wheat (US Dark North Ung Rubber (Mar)♥ Rubber (Apr)♥ 104,500 104.50p 381.0m -0.50 -3.0 Rubber (KL RSS No1) +2.5 -2.5 -3.0 -4.0 \$742.5y Coconut Oil (Phill)§

Copra (Ptvi)§ Soyabeans (US)

JOTTER PAD Dill n Account, Involve, roceipt, statement, tally. If you qualify for the 10th W market* and your electricity bill is over L12,000 pa, you may empty significant cavings by switching to an Eustern Contract. Full details available on request Talk to Eastern for a better deal 0800 99 77 55 FASTES

CROSSWORD

No.8,987 Set by CINEPHILE



ACROSS 1 Plutocrat back to do article in paper (3,3) Copper makes a lot of trouble in paper (8)

10 Give up goldfish 1 found in paper (7) 11 Side effects of vulgar greeting to the refined in paper (7)
12 Island of national importance

13 Saint had a baby - spoilt part of the weekend (7,3) 15 Sign used for Greek and Russian characters? (6) 16 Supplier of bloomers for 19 A degree of sickness got a Asian primate in paper (7) 20 Revolutionary cooler - a warning to the Spanish in

pers? (6) 24 Stress it's less than 20 (10) 26 More sanctimonious bearer of

load? (4) 28 Winter wear for old city firm, first in paper (3,4)
29 Commotion caused by sover-

eign people in paper (7) 30 First, there's nothing about doctors in paper (8)
31 Good at writing part of clue not used in paper (6)

DOWN l Last letter of "ordinal" (8) 2 Spider at an ultra gathering (9) 3 See 22

Minced beef in huoyant motion becomes huoyant

6 Get down to brass tacks and gobble? (4.6)
7 Ring containing nothing like 8 Solver's in set-up for satellite

9 Southernwood makes a tasty cut (5) 14 Logs take up ships' tie up, with space for junk (6,4)

18 Current that alternates peace (8)

iear, sadly (8)
22, 3 Small English flag found waving in the Indian Ocean

paper (3,4)
21 Deliver a prompt for the Sap- 22 Note of collar of choirboy with harsh voice (5) 25 Artist that lasts? (5)

27 Spoken by the moral major ity? (4) Solution 8,986



INTERNATIONAL CAPITAL MARKETS

Investors cautious ahead of Treasury auctions

By Martin Brice in London and Lisa Bransten in New York

European government bond markats recovered some of their poise yesterday, but investors remained cautious ahead of the big bond auctions

■ News of weak retail sales helped US Treasury prices reverse some of Monday's losses in early trading, despite uncertainty about demand at tbe afternoon auction of

\$18.5bn of three-year notes. Near midday, the benchmark 30-year Treasury was up 🖁 at 110% to yield 6.124 per cent, while at the short end of the maturity spectrum the two-year note was unchanged at 100% to yield 4.916 per cent. Strength among longer-term

yield curve, which fell 2 basis points to 121 points. In general, Treasury prices from Monday's weakness, fall in advance of auctions es although it remained below its

bonds led to a flattening of the

dealers try to push up yields to highs of last week. In late Monmake the securities more day trading, the US currency attractive to their customers. Yesterday, bowever, the market was cheered by a 0.3 per cent decline in chain store sales, recorded last week in the Mitsubishi-Schroder Wertheim

Also supportive to the market were signs of progress in

GOVERNMENT **BONDS**

the stalemate between President Bill Clinton and Congressional Republicans over how to balance the federal budget. On Monday, a bipartisan group of state governors proposed a plan to cut Medicaid – the federally-funded healtbcare programme for the elderly that has been a key subject of wrangling in the budget battle.

The dollar also recovered

was changing bands for DM1.4725 and Y105.49 compared with DM1.4675 and

■ German government honds recovered some of the losses of Monday's sell-off, with the market supported by buying from Japan overnight and the US in the afternoon. However, the market still underperformed the US, with the spread over Treasuries increasing 2 basis points to 36.

The market has gone down hard that we are now getting a bit of an upwards move-ment," said Mr Karl Haeling, head of futures and options at Deutsche Morgan Grenfall in Frankfurt. He said with German unemployment statistics due for release this week, traders may have cause to cover their positions ahead of the data's release.

The curve steepened as the

yield on two-year paper fell 1 basis point, and on the 10-year rose 2 basis points, with the spread between the two maturities settling at 228 basis points. On Liffe, the March 10year bund future closed up 0.44 at 98.78. The yield spread of 10-year bunds over Treasuries

widened 1 point to 35.

■ Frencb government bonds outperformed bunds, largely on back of domestic buying, with the spread over 10-year bunds narrowing 5 hasis points to 39. This made a tightening of 9 basis points in two days. Mr lain Lindsay at Crédit Lyonnais in Paris said the short end of the curva was supported by news that the French government was to debate European monetary union in

February. On Matif, the March future settled at 122.02, up 0.12. Yields fell along the curve, with the yield on 10-year paper easing 5 basis points; on one-year bonds, it eased 2 basis points. The spread between the two maturities settled at 192 points.

■ The high-yielding markets of Spain and Italy outperformed Germany, with both 10-year spreads tightening by 3 basis points, to 362 and 418, respectively. On Liffe, the March BTP future rose 0.31 to 111.71.

■ UK government bonds outperformed bunds, with the spread over 10-year paper tight-ening 2 basis points to 173. helped by manufacturing output figures that were weaker than expected.

Mr Andrew Milligan at New

Japan Securities said: "This will provide further ammunition for the chancellor in seeking another rate cut, in March rather than this week."

The March future on Liffe closed at 109.01, up 0.17. The curve steepened slightly, with the two to 10 spread at around ■ Swedish government bond markets enjoyed a less volatile day than Monday, although a weaker krona forced bonds down, with the spread over Germany widening 19 basis

Traders reported curve steepening moves, largely hy domes-tic investors, on the back of hopes of further reductions in the repo rate. The recent market movements following investors' doubts on domestic economic policy and fears of a

expects a 25 basis point cut in the repo rate each month for the first five months of the year, settling at 7.25 per cent at year-end. However, despite the expectation of rate cuts be warned: "Risk-averse investors should stay out until at least the end of March — but for speculative investors there is a buying opportunity."

points to 274.

debt downgrade had been overdone, they said. Mr Bjorn Englund, analyst at Unibank in Copenhagen,

M&A warrants from James Capel

By Antonia Sharpe

James Capel, the stockbroking arm of HSBC Holdings, yester-day launched a series of "basket" warrants designed to give investors exposure to merger and acquisition activity in the UK stock market. The total issue is worth about £82m.

Mr Alasdair Haynes, a director in charge of global equity derivatives at James Capel, said although there had been some over-the-counter products launched in recent months. these warrants were the first listed products to offer leverage to takeover situations.

With proposed bids totalling £41bn in 1995, a record year for takeovers in the UK market, M&A activity had a big impact on portfolio performance last year. James Capel said growing corporate cash piles and low borrowing rates would continue to provide fuei for further M&A activity in 1996.

Mr Haynes said the one-year warrants, on five capitalisation-weighted baskets repre-senting different sectors, could be used for various investment ... strategies.

For example, an investor with an underweight position in stocks seen as in takeover situations could increase his leverage by buying the war-rant rather than the stocks The warrants could also be bought hy an investor who wanted to sell the underlying stocks but not lose the eco-

nomic effect of bolding them. The five baskets are: insurance, made up of Guardian Royal Exchange, Legal & General, Refuge, United Friendly and London & Manchester; banking, with Abbey National, Standard Chartered, Royal Bank of Scotland and Bank of Scotland; financial, including the same stocks as the insurance and banking baskets, and Mercury Asset Management; mixed, made up of Allied Domecq, Ladbrokes, Zeneca, 5 Argyll and C&W; and utility, * with Southern Electricity, London Electricity, Midlands-Electricity, Northern Electricity, Yorkshire Water, Sonthern

Belgian offering breaks sovereign issue drought

By Conner Middelmann

The Kingdom of Belgium vesterday launched its longawaited \$500m offering of fiveyear bonds, the first issue by a sovereign borrower in the dollar sector targeted at institutions since Canada's global

deal last May. "People aren't usually bowled over by Belgium, but we saw good demand for the deal as investors have been starved of sovereign paper," said one dealer.

Several factors bave conspired to dampen sovereign ssuance in the eurobond market: lower borrowings by governments keen to cut their budget deficits; cheap funding opportunities through syndicated loans last year, and the strength of many domestic gov-

ernment bond markets, which has meant that governments have not needed to venture

abroad for funds. The pricing of Belgium's bonds, at 17 basis points over Treasuries, was deemed fair and the spread held steady

INTERNATIONAL BONDS

after the bonds were freed to trade, Lead manager Morgan Stanley reported strong sales to investors in Asia and the UK, as well as some Swiss

Swiss retail investors were also the target of two rather more tightly-priced dollar deals: \$250m of four-year bonds for the European Investment Bank and \$250m of six-year had not been to the dollar market since November 1994, the deal benefited from its relative rarity value in that sector, said Merrill Lynch, winch led the issue with DKB. The GECC offering, meanwhile, was supported by investor demand for medium-dated corporate paper, lead manager SBC Warburg

Today, Korea's Export-Import Bank is expected to come to the market with \$500m of global 10-year bonds via Lehman Brothers and Salomon Brothers. Price talk was of a spread over Treasuries in the

Argentina, meanwhile, has appointed CS First Boston and Merrill Lynch to lead a \$1bn five-year global bond, expected

	Amount	Coupon	Price	Maturity	Fees %	Spread	Book runner
Borrower US DOLLARS	m.	76			78	ър	
Kingdom of Belgium	500	5.375	99.305R	Feb.2001	0.25R	+1765496-01)	Morgan Stanley & Co Intl
GECC	250	5.50	99.76R	Feb.2002	0.275R	+18/514%-01)	SBC Warburg
European Investment Bank	250	5.00	99.20R	Mar.2000	0.225R	flatifi	DKB Inti/Memili Lynch
NGK Spark Plug Co(a)	200	3.00	100.00	Feb.2001	2.25		Nomura International
NGK Spark Plug Co(s) o	200	2.25	100.00	Feb.2000	2.25		Yamalchi Inti(Europe)
D-MARKS							
Westfällsche Hypo(b,p,s)	1 b n	5.25	99.75	Mar.2001	0.25	-	BayHyp/Cmmrz/Deutsche/Di
Aligemeine Hypothekenbankip);	300	(C)	100.185	Feb.1999	0.20		Commerzbank
Musterrot Hypothekenbank(p)#	250	(d)	100.075	Sep.2001	0.20		Commerzberk
YEN							
BRD+	20bn	3.18	100.20	Feb.2008	6.20	•	iBJ International
SWISS FRANCS							
BECC*	125	3.25	101.50	Mar.1999	1.25		Marrill Lynch Capital Mids
BUILDERS							
Commerzbenk	300	6.50	98,60R	Mar.2006	0.425R	+50(8%-06)	ING Barings
TALIAN LIRE							
European Investment Bank(e)	450bn	29ro	39.30	Feb.2006	0.50	-	Deutsche Morgan Grenfell
BRD(f)	150bn	9.40	101.16	Mar,1999	1,25		Banco Nazionale de Lavoro
ecus							
Bayerische Hypobank	55	(a)	101.464	Mar.2005	2.00		Kredletbank Intl Group
CANADIAN DOLLARS							
Südwestdeutsche LB Cap Mids	125	8.375	98.90R	Feb,2002	0.275R	+11(71/196-01)	CIBC Wood Gundy
OUTH AFRICAN RAND				100			
nternational Finance Corp	250	13.00	101.25	Feb,1998	1.625	•	HSBC Markets
OLISH ZLOTYS							
nternational Finance Corp(h)	100	18.50	100.00R	Mar. 1998	0.50R		JP Morgan Securities

Up to 5 years (22)

5-15 years (21) Over 15 years (8)

Up to 5 years (1)

8 All stocks (12)

FT-ACTUARIES FIXED INTEREST INDICES

+0.13 +0.32 +0.47 +0.29

+0.07 +0.15

123,24

148.07 163.31

0.45 5 yrs 0.00, 15 yrs 1.02 20 yrs 0.00 irred.†

Up to 5 yrs

0.34

0.00 0.00 0.00

7.05 7.89 7.99 6.09

123,40

First zloty eurobond

By Conner Middelmann

The Polisb zloty yesterday joined the rapidly expanding range of currencies in which borrowers can raise money in the eurobond market.

The sector was inaugurated by the International Finance Corporation, the private-sector arm of the World Bank group, which issued 100m zloty of two-year bonds via J. P. Morgan. The proceeds of the offering were swapped into floatingrate dollars, according to the

The bonds, which carry a coupon of 18.5 per cent, were almed largely at retail investors in Germany, Austria, Switzerland and the Benelux, who are keen on high coupons but

7.10

have 8%-10%%; High: 11% and over, † Flat yield, ytd Year to chile

do not have custodial arrangements in Poland and therefore have no access to the domestic Polish T-bill market. Moreover, J. P. Morgan was targeting institutional investors who are already active in the T-bill market, but wbo want to extend maturities.

Water and Wessex Water.

"This deal is very much along the lines of the IFC's long tradition in developing the fixed-income side of emerg-ing markets, which is part of our mandate of private-sector. development," said Ms Ritva Laukkanen, senior financial

officer at the IFC. The coupon and principal onthe bonds will be paid in US dollars, as Polish foreign exchange regulations restrict the outflow of zlotys.

7.16 . 7.22 . 8.03 . 8.07 8.11 8.15

8.65

EXCHANGE LEGIS

Yr. ago Feb 6 Feb 5 Yr. ago Feb 6

7.14 7.98 8.06

8.48 8.49 8.49

Feb 6 Feb 5 Yr. ago

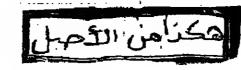
7.09 7.93 8.02

8.46 8.37 8.34 8.41

Feb 6 Feb 5 Yr. ago

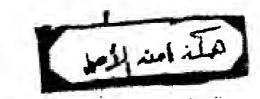
strength of man	y domes	nc gov	· Rani	t and	szsum oi	sıx-yeai	r mext	week.				5			
WORLD BON	ID PRI	CES											7		
BENCHMARK	GOVE	RNME	NT BO	NDS			M BUN	D FUTUR	RES OPT	ONS (LIFF	E) DM250	0,000 poi	nts of 100	1%	
		Red		Day's	Week		Strike			- CALLS				- PUTS	
Australia	10.000	Date 02/06	Price 112,5120	-0.070	Yield ago	8.48	Price 9650	M: 0.6	-		*			pr Me 22. 1.4	
Austria	6.500	11/05	100.6200	-0.080	8.15 8.17 5.41 6.19	6,39	9900	0.4	0 0.3	B 0.80	0.7	8 0.7	73 1.	54 1.7	1,94
Belglum Canada '	8,500 8,750	03/05	103.0800 111.4300	+0.240	8.05 6.36 7.11 7.07	8.72 7.11	8950 Feb. wol	O.2	-					81 2.19 74143 Puls 2	
Denmark	8.000	03/08	104.5400	-0.120	7.34 7.07	7.27	100 674	Eveni Com.)			OVIDUS DE	ra open u	IN COMP E	They rust	14120
France STAN OAT	7.000 7.250	10/00	106.1250 105.3000	+0.380	5.45 5.39 6.52 6.38	5.90 6.66	Italy			. 77					
Germany Bund	8,000	07/06	99.3500	+0.280	6.09 5.88	6.05				OVT. BOX		FUTURE	5		
freland italy	8.000 10.500	D8/06 D9/05	103,4800 102,5500	+0.380	7,50 7,34 0.08† 10.02	7.59 10.59	- Year	O p			trange	High	Low	Est. vo	Open int
Japan No 129 No 174	8,400 4,600		117,2570 111,2040	-0.190 -0.080	1.87 1.80	1.70	Mer	111		-	0.32	111.91	111.08	49678	61367
Netherlands	6.000	D1/06	98,9200	+0.220	2.97 2.99 6.15 5.90	2.93 6.06	Jun	110			0.32	111.30	110.90	433	4567
Portugal Spain	11.875 10.150	02/05	113.8000 101.4000	+0.040	9.53 8.45 9.74 8.53	6.84 9.69	H ITAL	IAN GOV	T. BOND			PTIONS	(LIFFE) Li	ra200m 10	1ths of 1009
Sweden	6.000	02/05	82.7670	-0.910	8.66 8.36	8.54	Strike Price		Mer	- CALLS	Jun		Mer	- PUTS ·	Jun
UK Gilts	8.000 7.500	12/00 12/08	104-05 98-20	+9/32	6.96 6.78 7.69 7.43	6.77 7.40	11150		0.99		2.13		0.77		2.39
un Military III.	9.000	10/08	109-09	+12/32	7.83 7.59	7.56	11200		0.74		1.88		1,02		2.64
US Treasury '	5.875 6.875	11/05 08/25	161-18 110-03	+11/32	5.66 5.62 6.13 6.04	5.65 6.01	11250 Est. vol.	hotel. Colle	0.52 3106 Pure	4857. Press	1.65	onen int	1.30 Colo 8341	6 Pus 7422	2.91
ECU (French Govt)	7.500	04/05	103.6400	+0.070	6.95 6.81	7.00			3.00 . 02		and cary o	Op	O		•
London closing, "New Yor t Gross including within		12.5 per e	ont payable i		Yields: Local mas exist)	iset etemberd.	-Secre								
Prices: US, UK in 32nds,			,	,	Source: MMS	International	M NOT	IONAL SE	ANISH E	OND FUT	URES (M	EFF)			
US INTEREST	RATE	8						Óp			hange	High	Low	Est. vo	
Latest	10412		Tenne	Bills and B	land Walds		Mar Jun	95. 95.			+1.03 +0.27	95.65 95.25	95.16 95.25	65,428 4	53,994 3
Lagran	One	ritnom	Treasury	525 Two	ONG TENGS	4.93	ΨK				- CALL	JULJ	*****	-	•
Prime rate	B³> Twe	a month		5.09 Thr	DO ADDL	5.04	■ NOT	IONAL, UI	COLT F	JTURES (L	JFFE) CS	0,000 32	nds of 10	0%	
Fed.funds	5/3 Sk	provide		4.97 10-	Ages.	5.29 5.67 813		Ор	en Set	price C	hange	High	Low	Est. vo	Open int.
	-	. ,		4.00 30	you	013	Mar	108-				109-04	108-15	65792	141645
							Jun LON	108- 9 GILT FI		8-06 + OPTIONS		108-06 50.000 64	108-01 Wha of 10	64 0%	1452
							Strike	_		- CALLS				- PUTS -	
	20 0						Price	Ma					•		
BOND FUTUR	es an	D OP	TONS				108	1-22 0-47							
							110	0-22		3 0-55	1-07	1.2	B 2-2	1 2-43	2-59
France							Est. vol.	total, Calls	7132 Puts	1860. Prevs	ous day's	open int.	Calls 37010	Puts 3035	,
INOTIONAL FRENC	CH BOND F	TURES	(MATIF) FI	r500,000			Ecu								
Open	Sett price	Chang	e High	Low	Est. vol.	Open int.	■ ECU	BOND FL	JTURES	MATIF) EQ	U100,000				
Mar 121.60	121.90	+0.24				141,466		Ope	n Set	t price C	nange	High	Low	Est vol	Open int.
Jun 121.98 Sep 120.78	122.26 121.04	+0.22	122.30 121.12			17,178 2,301	Mar	90.5	50 9	0.72 +	0.14	90.96	90.40	2,288	8,650
LONG TERM FRE															
Strike -	CAI	us			PUTS		US								
Price Ma		S I	Sep	Mar	Jun	Sep	■ UST	REASUR	BOND	FUTURES	(CBT) \$1	00,000 32	nds of 10	10%	
120 2.0 121 ·	8 - 2.	18	:	0.18 0.39	0.78 1.14	1.14		Ope	n L	itest Ch	nange	High	Low	Est. vol	Open int.
122 6.6	3 1,1	56	-	0.75	1.51	•	Mar	119- 119-				118-29	119-14	338,389	328,389
123 0.23 124 0.07			-	1.30	:	:	Jun Sep	116-				119-12 118-26	118-31 118-17	13,896 46	35,925 0,109
Est. vol. total. Calls 28.89	91 Puts 12,1	196 . Previ	laus day's op	en Int., Call	6 194,727 Pus	188,078.									
							Japa								
Germany								ONAL LO		M JAPANI	ese gov	T. BONE	PUTUR!	ES	
NOTIONAL GERM							1041	Ope			enge	High	Low	Est. vol	Open int.
Open Mar 98.60	Sett price 98.67	Change +0.33	98.88	98.33	237533	Open int. 238493	Mar	119.			-	20.00	116.90	1824	0
Jun 87.80	97.84	+0.32	98.00	97.80	3885	13713	Jun	118.				18.49	118,41	392	6
					_		- UPPE &	rures also	traced on	APT. All Cip	en interest	lige. are b	or previous	day.	
UK GILTS PI	RICES							_							
Notes	Yield _ int Red	Price E 4	or – High	veck Low		letes int	Yieki Red Price:	E+or-	52 week				Yest		_ 52 week _
Shorts" (Lives on to Five Yo		7.642	u – nyn		e 8 1 ₂ nc 2005‡‡.	8.04	7.66 1053					othes (1)	i kam	CB E + CF -	High Low
15 ¹ pc 199611	14.93 6.00		109	1093 7	2006#‡		7.58 983		11일 94 <u>3</u>			(b) 7.9)	- 205	2164 +4 1123 +4	2167, 2035 1137, 1071
Erch 131 _e pc 1996‡‡ Conversion 10pc 1996	13 00 8.18 9.71 5.81	100	106]] 104]3	103 7	4 pc 2006##	774	7.73 1001	+13 1	131 ₄ 921	9 76-20° TH		8.39 2.97	7 3.46 '	178.2 +.4	113.5 107% 180.5 16633
1reas 134 pc 1997## Exch 10420c 1997	12.42 5.95 18.06 5.95		10633 10533		pc 2002-6‡‡ as 113apc 2003-7.	7.89 9.58	7.81 101 <u>]</u> 7.51 1225				#	BB) 116	3.54 5 3.54 9 3.56	1/4/6 +4	176-1 1621 1161 1061 1851 1681
Trees Griv 7pc 1997## 1reas 84pc 1997##	801 8.00 8.42 6.00	10123	+4 101 P	973 Tree	as 61 ₂ pc 2007 #‡	8.0G	7 77 105	+14 1	1835 97	2200 00		951 3.25	9 3.56 9 3.61	1825 + 1 1648 + 1	185 1 168 1 167 1 152 1
Exch 15pc 1997	13.14 6.16	1144	+6 1176	114	31 ₂ pc 2004–8 19 9pc 2008 ‡‡	6.96 8.23	7.59 135 ₂ 7.82 109 ₄		88)3 126) 1213 1013	. 2½00°13	g	8.8 33 4.6 34 9.3 3.4	3.64	1648 ·	1732 1674 143 1294
9%pc 1998 Treas 74pc 1998##	9.18 6.29 7.12 6.33	3 10112	+ ₁ 109 ₁	96]} Tree	as 8pc 2009	7.92	7.87 101	+ ¹ e 10	1412 942	21 ₂ pc '16 21 ₂ pc '20	(8	16, 35 30, 35	3 360	1824 +6 1645 +6 1785 +6 139[2 +6 146 +6	1524 1373 1467, 1313
Freas 61kpc 1995-961; Treas 151 ₂ pc 1981;	6.74 6.63 12.79 6.51	1212	1003 +3 1243	120%	ss 5 1/4pc 2010	7. 33	7.96 85,7	. +4	8,1 79,	21 ₂₀ 0 24 41 ₆ 00 30	# 47	77) 35	3.70 1	1863 +	180 () 1666 176 () 162 () 161 116 () 105 () 165 (
Exch 12pc 1998	1657 6.57 8.83 8.63	1137	+첫 114년 +첫 108년	10931. 10043						Prospecti	ve real n	dempton	rate on	projected a	iffetion of (1)
Trees Fito Rate 1999	1661 8.70	- 100,	100g	99% 111%						10% and Indexing	(2) 5%. (i de 8. mont	b) Figures his prior to	in parenti Issue) an	heads show nd have bee	PPI base for n adjusted to
Trees 16 ¹ 20¢ 1999	9.46 873	110(2	+3 1123 +4 988	1054 Own	Fifteen Years		707		m15	reflect re	basing of	RIPI to 1	l00 m Fel	bruery 1987	. Conversion sember 1995.
Frees 6pc 1999 ‡‡ Conversion 16 ¹ ,pc 1999 _	814 B.76 9.22 B.86	1114	+4 1125	1051s (cm	v 9pc La 2011 ‡‡ u 9pc 2012‡‡	8.25 8.23	7.97 109\\ 7.97 109\\			150.7.					1993.
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ive to Filteen Years										ASSENTATION 1	ne 2012	9.24	870 1	116% - <u>1</u> 2 12412	120 10833 128 1161 ₂
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18pc 2003	B.73 7.45	11412	+0 III 0	105% Cana	1018 4pc	825	- 48 ¹ 2		Ot 2 454	Leeds 13 ¹ 2 Liverpool 3 ²	pc 2006 2pc imsd	10.13 6.75	, -	40 -12	41 33
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MARKETS REPORT

EMU fallout boosts sterling to four month high

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CARL ROAD METE

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bond

Sterling rallied to a four month high against the D-Mark yesterday despite evidence of general weakness in the UK mannfacturing sector which could herald a further fall in interest

The pound's surprising simultaneous rise against both the D-Mark and dollar appeared to reflect disenchantment with the prospects for other leading currencies rather than any particularly positive view of sterling. It finished in London at DM2.2671, from DM2.252, and at \$1.5404, from \$1.5327.

The dollar had a steadier day after the shake-out on Monday, finishing firmer against both the D-Mark and the yen. It closed at DM1.4718, from DM1.4693, and at Y105.57, from

Sentiment was buoyed by the expectation that there would be healthy Japanese participation in the quarterly US

(FI)

1,5401 1,5087 2,1178

3.9179

POUND SPOT FORWARD AGAINST THE POUND

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Treasury refunding auction which started yesterday. is certainly the beneficiary at the moment of the govern-The release today of the November trade data could

also help the dollar, because these should remind the market of the steady improvement in the US's trade performance, evident in recent months. European currencies were fairly stable against the

D-Mark, with the exception of the Swedish krona which continued its recent fall from grace. It closed at its lowest level in over three months at SKr4.768 against the D-Mark, from SKr4.729.

With sterling so long dogged by "political uncertainty", analysts have a hard time saying the UK currency is being seen as a political safe haven. But it

New Yo	erk,
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1 5366	1.5366
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	Latest 1.5400 1.5389 1.5366 1.5248

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46.276 2.7349 9.9889 7.758

ment's ambivalent stanca towards Europe.

Mr Tony Norfield, UK treasury economist at ABN AMRO in London, said that there was less policy panie in the UK than in many other European countries which had placed themselves within the straitjacket imposed by the Maas tricht convergence criteria.

He said sterling's strength could also be explained by the fact that there had not been any EMU premium to be unwound, and the perception that it would not ba "besmirched" by participation in the European single currency, which the UK is not

committed to joining.

Mr Norfield sald markets were rife with exaggerated fears about what could happen in the future. "The market is still extremely nervous, that the beginning of 1994 - where the initial trends blew up in

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points higher at 91,15.

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CURRENCIES AND MONEY

your face after the first few

Sterling's rally came despite the weak manufacturing data, which encouraged speculation that a further cut in interest the monthly monetary meeting today between the governor of the Bank of England and the Chancellor of the Exchequer. The June short sterling contract finished seven basis

■ The main moves in currency markets at present are being driven by the combination of concerns about the European single currency project, and growth prospects in the US and

Mr Joe Prendergast, currency strategist at Merrill Lynch in London, said that the dollar historically tracked shifts in interest rate expectations, rather than actual moves in rates. He highlighted the very bearish move in German interest rate expectations following the deep easing of the past few weeks.

The spread between the June 96 and June 97 euromark con-tracts has widened from 50 basis points in mid-January, to around 110 basis points now. This has come from a fall in the longer dated contract, with

Mr Prendergast said this

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-2.9 3.5 0.9 -0.3

likely to keep the dollar's tone damp in the short term.

III The release today of the latest gold and foreign excha reserve figures in South A will be closely watched. country has recently enj large capital inflows, and dence that this trend conti is sure to heighten specula of an early relaxation exchange control. Mr C Stals, governor of the Res Bank, has recently hinted the present climate favour relaxation of control measu

The rand finished at R against the dollar, ain exactly the level at which stood wheo the currency unified last March.

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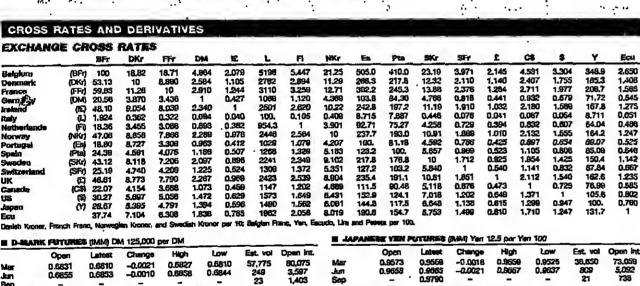
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MONEY RATES

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PUTS

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Belgium	39.3860	38.8518	+0.0015	-1,38	3.81	10
Auntria	13.4363	18,2858	-0.0004	-1,18	3.55	В
Germany	1.91007	1.88952	+0.00019	-1.06	3.49	11
Portugal	195,792	196,296	+0.047	0.26	2.11	-2
Denmark	7.28580	7.31111	+0.00237	0,35	2.02	-2
France	6,40608	6.49820	-D.00265	1,44	0.85	-12
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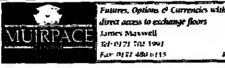


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BANKRUPTCY SECTION

Bankruptcy no. 52748 of Immobiliara Francasca '81 s.r.i. At 12.30pm on 19.02,1996 the Official Receiver Dott.ssa De Virgillis Is to sell small building in Montalcino (Siena, Italy). Base price Lit. 538,000,000 and Lit. 15.000,000 for the furniture. 25% deposit by 1pm on 16.02.1996. Receiver Tel. +39 774 608677/608765

INVESTMENT TRUSTS - Cont.

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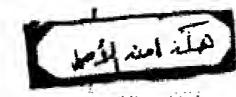
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LONDON STOCK EXCHANGE

Corporate announcements take centre stage

By Philip Coggan, Markets Editor

Macroeconomic issues took a back eeat yeeterday as the market absorbed the news of the break-up of British Gas into two eeparate companies and a profits warning from Allied Domeco.

The FT-SE 100 index moved in a narrow range of just 12 points during the session, finally managing a modest 0.9 point rise to 3,747.5. The unior Mid 250 index did slightly better, adding 3.7 at 4,140.1.

Reaction to the British Gas announcement kept traders busy, with the stock recording the day's

received an initial lift, but analysts were sceptical about the demerger'e merits and the result was that the shares closed lower on the day. The latest in a series of UK corpo

rate profits warnings came from Allied Domecq, the drinks group. The warning was not directly linked to a slowing UK economy, referring as it did to difficult European sprits markets and a decline in sterling profits from Mexico.

Nevertheless, Allied's statement is likely to make investors even more cautious as the March results season approaches. The one Footsie company which did report figures yesterday - BSkyB, the satellita TV company - produced strong profits

growth, but the shares were hit by the Office of Fair Trading's referral of the group's football deal to the Restrictive Practices Court. More bad news came from the

corporate sector when Coal Investments, a company which enjoyed a phenomenal share price rise in 1994, called in the administrators. On the economic front, industrial

production was slightly stronger than expected in December, but this was mainly due to a rebound in the energy sector because of the cold weather. Manufacturing output fell 0.7 per cent on the month and the fourth quarter also showed a decline from the previous three Mr Adam Cole, UK economist at James Capel, said: "Although part of this weakness - which is largely an export phenomenon - is being offset by strength in the consumer sector, there is little doubt that the economy overall will continue to grow at below its long term sustainable rate in the near term. Against this background, interest rates have

further to fall." The market received a couple of fillips from Wall Street: an early lift to the best level of the day, up 7 at 3,753.6, on the back of the overnight rebound in the Dow Jones Industrial Average; and an afternoon pick-up as the Dow climbed 20 points by the close of London trad-

Bowden rose 10 to 396p and

Wimpey 5 to 144p.
Telecoms giant BT was the

second most active Footsie

stock after British Gas. The

shares finished 4 better at

BT announces third-quarter

results tomorrow and there are

hopes that new chief executive

Mr Peter Bonfield could set out

to make an upbeat start to

There was also positive news

for the group from Germany,

with hig ntillty RWE widely

expected to announce today

that it will join in with BT and

Viag's joint German telecoms

BT saw 34m shares traded

and a significant two-way pull

was said to have set in. The

company faces a number of

potentially etern regulatory

tests this year (notably on

pricing) and analysts are

mostly divided on the immedi-

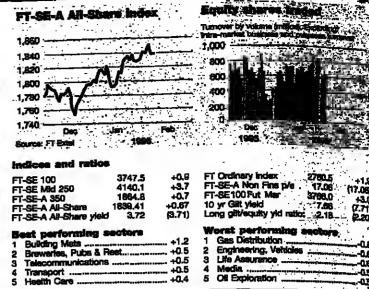
relations with the City.

360%p.

ing. The latter helped the Footsle lift off its worst level of the day down 5 at 3,741.6.

A recovery in gilts after Monday's decline also helped equities. The benchmark 10-year issue, which fell by more than a point on Monday, regained a third of a point. Monday'e gilts weakness pushed the yield ratio, the relationship between gilts and equity yields, up to 2.2, its highest level since October, making it difficult for shares to make prog-

ress without a rebound in bonds. The intense interest in British Gas helped to boost trading volume to 871.7m shares by the 5pm count. Customer business on Monday totalled £1.65bn



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Demerger deflates Gas

British Gas suffered a day of heavy turnover and a swinging share price following news that the company is to spllt and the chief executive is to go.

Outsiders might be forgiven for being confused. Only a matter of days ago Lord Hanson decided he had to do something with his ailing conglomerate and announced plans to split it into four parts.

Almost immediately, Hanson shares started to tumble as the City worried about the eum of the parts calculations and future dividend prospects. British Gas said yesterday

that it was taking the same route. And after an initial surge of enthusiasm, the shares fell back.

Analysts pointed out that although the rationale might have been different the market reaction was the same, British Gas needs to separate into constituent parts because of the new Gas Act and is using the opportunity to demerge fully and "ring-fence" the hit from its operous take or pay con-

However, demerger will not bappen until 1997 and the company's problems, ranging from regulatory pressure to an agreement to buy gas for far more than it can sell it, will not disappear.

Ms Irene Himona of SGST summed up the investor attitude: "The presumption of demerger is that it will unlock value for shareholders, but we do not see how yesterday's

move can achieve that." The shares, up 14 at best, ended 2 down at 242%p after 53m changing hands.

Domecq warning

The latest demerger speculation settled on spirits and foods group Allied Domecq after it surprised the market with a profits warning.

At yesterday's annual meeting, the company warned thet first-half profits will be 20 per cent lower than a year earlier due to a downturn in the spirits division and dilution caused by food disposals.

The news sent analysts racing to downgrade profit forecasts, with the market consensus moving down from around £625m to some £570m for the year to August 1996. Cazenove, the group's broker, which only downgraded profits estimates last week when it came down to £630m. Was said to now be expecting the group to post profits in the region of £570m.

The shares dropped on the news, and at the day's worst were down 64 at 451p. However, yield buying together with talk of a demerger soon lifted the gloom and they recovered to close 8% off at 506'Ap on heavy trade of 11m. A disgruntled trader said:

This is a company that has been underperforming, and the current management bas to start considering the demerger of the spirits business or face the share price going nowhere.

One leading analyst said simply that the company has to reduce its dividend by "at least

Redland advances

Building materials leader Redland topped the Footsie performance charts in good volume on confirmation that the group is to sell its UK brick operations and beef up its stake in German subsidiary

The signs of pro-active management were said to have overcome tax worries and the shares shot forward 12 to 407p in 4.6m traded.

Some analysts had doubts about potential Advance Corporation Tax llabilities should Redland run down its UK earnings. But most industry watchers applauded the plans. Nat-West Securities was quick off

the mark with an add note. Building related shares generally had a good day. Rugby Group firmed 5 to 117p. and Pilkington by 4 to 201p in 8.7m

There was selective buying

FINANCIAL TIMES EQUITY INDICES

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and sold the shares down 22

among housbuilders. Wilson NatWest Securities put out a cautious held note. The broker's nominal target price for BT is below 350p. "But buying still requires 5 per cent dividend growth over the next five years which, given the regulatory background, cannot be

guaranteed." In the rest of the drinks sector, a meeting with analysts on Monday evening at Vaux Group, spoken of in recent sessions as both a bidder and a bid target, only served to encourage profit-taking in the group's shares. They closed 8

Scottish & Newcastle, which played host to several analysts last week, continued to find favour and the shares ended 11 higher at 665p after volume

of 3.im. Among retailing stocks, Boots surrendered 9 to 6000 in trade of 5m. with ABN Amro Hoare Govett said to have advised clients to switch out of the stock and into Great Uni-

versal Stores. Shares in the latter hardened 2 to 693p as some 4.5m shares changed hands.

Independent petrol retailer Frost Group shook off the recent gloom brought about by the deepening price war among petrol retailers. The shares moved forward 8 to 1230 in 1.4m trade.

Mercury Asset Management said it has raised its holding in the company by 1.7 percentage points to 15.4 per cent. Frost reports full-year figures next month and Credit Lyonnals Laing, the group's broker, is predicting profits of £11m. Bargain hunting in John

Menzies saw the shares move ahead 13 to 540p. Premier Oil was heavily

traded as the exploration and production company saw what one trader described as "genuine buying interest". The shares rose a penny to 28%p, with 12m changing hands.

view of BSkyB'e record profits

Good interim profits had heen forecast and once they were out of the way, market-makers concentrated on the monopoly pressures the com-

pany faces. There was an announcement by the Office of Fair Trading that the company's broadcast ing contracts with the Premier eague will be referred to the Restrictive Practices Court

Upheat traffic figures for January put some buzz back into Eurotunnel which, over the past 12 months, has been one of the worst performing

London stocks on debt resched pline concerns. The shares have lagged behind the market hy 80 per cent over the past year and 27 per cent over the past quarter. Yesterday they topped the

FT-SE Mid 250 rankings with a

5 advance to 79p. Trading vol-

ume in Paris came close to 4m Diversified industrial Williams Holdings came off sharply, reversing recent relative strength with an 81/2

decline to 385%p. LONDON RECENT ISSUES: EQUITIES

Net DIV. Grs. P/E div. cov. yld. net UD. High Low Stor 628 24.0 13.7 35.4 0.13 1.19 3.09 S1₂ 51₄ †Bathynatray 125 115 Cantury Inna 90 72 †Drnatek 68 65 Medialkey 6 6 †Nitro Palm FP. 54 FP. FP. 53 "Self Seeling Sys 6 "Skyelfharms Wo

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consolidated results is estimated at 11.6 billion BEF in 1995 compared to 10.3 billion BEF in 1994. These results include a 1.3 billion BEF non-recurrent net charge. In 1994, they included 2 billion BEF net gains and non-recurrent results.

The fiscal year cash-flow amounts to 39 billion BEF, an amount which is comparable to last year's. In 1994, the cash-fluw included 6 billion BEF non-recurrent gains. In 1995, it includes 1.3 billion in BEF in nonrecurrent charges. The 1995 fiscal year includes a nun-recurrent charge of 0.9 billion BEF linked to a change in the rules for evaluation and covering the depreciation of the dollar which arose when foreign affiliates' previous results were repatriated to the parent company. It also includes early retirement charges for an amount of O.B billion BEF, a O.3 billion BEF inventory write-back and a 0.1 billion BEF gain an assets said. Campared to 1994, PetraFina's results show three main developments:

- an improvement in upstream sector results, due to a 1.2 dullar per barrel

the increase of the production in Europe. These factors more than compensated for the reductions in gas prices and production in the United States.

a drop in downstream results, refining margins and the dollar having fallen again. Average margins went from 0.44 BEF per litre in 1994 to 0.33 BEF per litre in 1995 (2.1 \$/barrel in 1994 against 1.8 \$/barrel in 1995). a new increase in chemical sector results.

due to improved margins and quantities sold in Europe and in the United States. However, after a particularly brilliant first semester, reductions of stocks and economic uncertainty in Europe and the Far East led to price drops in the last months of the year. In January 1996, prices started to recover.

The Board of Directors has set the investment budget for 1996 at 34 billion BEF. The whole press release is available at the Barclays Bank plc, 8 Angel Cnurt, Throgmorton Street, London EC2R 7HT



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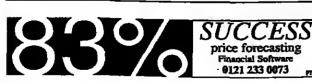
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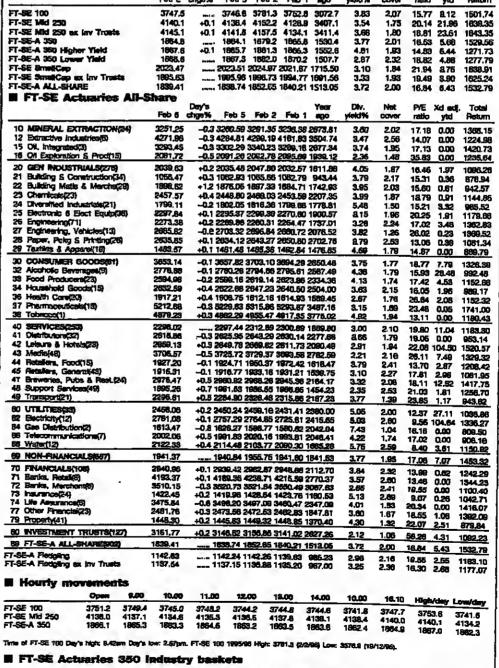
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Technology stocks stage midday rally

Wall Street

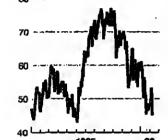
Technology shares continued Monday's rally in midday trading yesterday, helping to put US share prices on course for another record finish, writes Lisa Bransten in New York. At 1 pm, the Dow Jones Industrial Average was up 31.79 at 5,439.38. The Standard & Poor's 500 was 2.50 lower at 643.93 and the Ameri-

can Stock Exchange composite

lost 0.96 at 558.23. NYSE vol-

ume was 271m shares. Equities received some support from strength in bonds, which reversed Monday's losses. Near midday, the benchmark 30-year Treasury was up nearly balf a point. pushing the yield down to 6.124

Broderbund



The market sbrugged off news that Mr Charles Clough, chief investment strategist at Merrill Lynch, had lowered his recommended allocation on equitles to 45 per cent from 50

Advancing technology issues helped the Nasdaq composite to add 5.75 at 1,089.09. The Pacific Stock Exchange tecbnology index rose 0.9 per cent. Rising bigb-technology shares included America Online. up \$21/4 at \$461/4. Applled Materials, \$1 stronger at \$11, and Cirrus Logic, which added \$11/2 at \$25%.

IBM, which is a component of the Dow, continued the upward path on which lt embarked last month after

ings. Big Blue added \$1%, hringing the shares to a 52-

week high of \$114%. Since January 15 the shares have jumped \$31% or 37 per cent. One exception to yesterday's strength in technology shares Broderhund Software, which tumbled \$8% or 16 per cent to \$44%. After the market closed on Monday, the maker of educational software said that it expected second-quarter profits to fall below the 50 cents a share it reported for the period last year. Analysts were expecting profits of 58 cents a share.

Strength in cyclical issues led the Dow to ontperform other, more broadly based indices. The Morgan Stanley index of cyclical shares added 0.7 per cent, while the counterpart index of consumer shares was 0.1 per cent higher.

In the Dow, Goodyear Tire & Rubber rose \$1½ to \$48½, Union Carhlde was up \$1 at \$43% and Caterpillar added \$%

Allied Signal, hnwever, slipped \$% to \$51% after reporting operating earnings of 83 cents a share, a cent short of analysts' estimates. Time Warner advanced \$1%

or 4 per cent to \$43% after posting fourth-quarter earnings of 1 cent a share. Analysts had expected the

communications giant to break

Canada

Toronto was flat at midsession as the gold bullion price slipped, but the market continued to find support in a seasonal influx of retirement fund money. The TSE 300 composite index was 1.66 weaker by noon at 5.031.66 in befty volume of 51.5m shares.

Among the high technology stocks, Cognos jumped C\$2¼ to C\$60% as it formed an alliance with IBM to Integrate its Impromptu database reporting tool into the US group's data storage products.

Bema Gold slipped C\$1/4 to C\$5 as investors took profits, while TVX Gold gave up C\$1/4

lost 44.20 or 1.4 per cent to

3,057.72, with many investors

selling Telmex after the utility

was downgraded by a US bro-

ker on Monday, Telmex ADRs

fell more than 3 per cent in

New York on Monday as Mor-

gan Stanley lowered its rating

to neutral from outperform.

Buenos Aires recovers

recovery after Monday's 4 per cent loss. By midsession the blue chip Merval index was 4.98 points better at 539.92. The market fell sharply at

the start of the week on worries about the domestic political situation. Analysts said that investors were nervous ahead of a meeting of congress

SAO PAULO was stronger at midday, with the Bovespa index 441 points ahead at today which would debate gov-53.771. Smith Barney said yesernment measures to curb public spending and modify taxes. terday that it had raised its rating on the market to outper-Monday for a public holiday,

S African golds drift lower

FT/S&PTACTUARIES WORLD INDICES

Jobannesburg drifted lower in moderate dealings as gold hullion struggled to maintain its price level, and base metals

The overall index fell 28.3 to 6,921.9, industrials shed 7.7 to 8.538.7 and golds gave up 13.4 to 1.867.5, although shere prices picked up from their lows late in the session as hnyers entered the market on optimism that the hullion

Hong Kong (59)... Hong Kong (59)... Ireland (16)... Japan (482)... Malaysia (107)... Mendoo (18)...

price would resume its rise. Rustenburg Platinum managed an improvement of 50 cents at R82 in spite of a declins of \$1.50 in the platinum price to around \$427.70 in late afternoon trading.

Samancor, the ferrochrome producer, feil R3 to R50 after posting a 105 per cent rise in first-half attributable profits on Monday but warning of a second-half profits decline.

Oils weak in Paris as Goldman adds downgrade

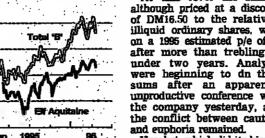
Oil majors were active in PARIS as Goldman Sachs fol-lowed J.P. Morgan's downgrade last week of Total and, in addi-tion, deleted Elf Aquitaina from its list of recommended stocks. Total lost FFr6.60 tn FFr340.60 and Elf FFr7.30 to FF1872.80, as the CAC-40 index made 2.88 to 1,988.47.

Goldman reduced its expo-sure to Total fullnwing the grnnp's preliminary 1995 results announcement last week. The US investment bank said that It had reduced its estimates for net income in 1996 and 1997 to FFr4.7bn from FFr5bn and to FFr5.1bn from J.P. Morgan said that it was

concerned about the ontlook for the company's chemicals division. "Slower GDP growth in Europe in 1996, particularly in France, could have a significant negative influence on this husiness," the broker remarked. "Nevertheless, we believe that Total's long term strategy of expanding Its chemicals operations in potentially higher growth markets will bear fruit, but that the near

term outlook is more difficult." Bnt Goldman went further hy downgrading Elf, based on a pessimistic view of chemicals earnings in 1996. "Against a background of flat oil prices and weak refining margins,"

equipment merger deal with W.R. Grace, of the US.



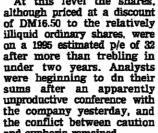
said Goldman, "Elf's net income is forecast to grow at a rate of less than 4 per cent over the next two years." J.P. Morgan forecast net income of FFr5.1bn, in line with its previous forecast, when the com-pany reported its 1995 earnings on February 21; this compared with a forecast FFr5.6bn from Goldman, down from a previ-

Eurotunnel rose 50 centimes to FFr6.35 after it reported that it had doubled car traffic last month compared with the same 1995 period. FRANKFURT enjoyed a sec-

ous FFr6.2hn

Share prices rebased

ond day of Fresenins phantasie, the pref shares rising another DM21.50 to DM166



Hoechst, which did its big US deal last year, and bought a lot of value for shareholders, rose DM11.10 to DM446.80 but, here, there was a suggestion of short covering. The Dax index, moving sedately better for most of the day, accelerated late to close with a gain of 21.14 at an

AMSTERDAM enjoyed a which started the week. closed np 4.36 at 502.73.

for a two-day gain of DM36 or 27.7 per cent on its dialysis

At this level the shares,

Ibis-indicated 2,437.98. Meanwhile, Degussa, ambi-

tious like Hoechst to expand Its position in pharmaceuticals, mbined the announcement of a linked capital increase with disappointing first-quarter figures. It paid the price, falling DM9 to DM543.50.

healthier session than the one regained the 500 level and



FI 68.80 as investors responded to Monday's news that its troubled German subsidiary, Grundig, was to be restructured, and that the Dutch parent would no longer be responsible for any lossas that Grundig might make from 1997 onwards. Analysts suggested that this might be a sign that Philips could be preparing to sell its 32 per cent stake.

In the publishing sector, VNU added 70 cents at F1 25.30 following its 10-for-one share There was less cheer for Fok-

ker, the current speculative market play, which lost 40 cents or 8.5 per cent to FI 4.30 after the company warned that negotiations with potential partners did not include a bid for either the listed shares or bonds. The company elaborated that interest from potential buyers, said to include Bombardier, of Canada, and Samsung Aerospace, of South Korea, was limited to its subsidiaries or their activities. ZURICH recouped almost

two-thirds of Monday's share

fall as firmer hond futures

dollar. The SMI index picked up 32.1 to 3,253.8. Among financials, the recovering Swiss Re and UBS were among the day's best performing blue chips. UBS bearers rose SFr24 to SFr1,271 and Swiss Re SFr22 to SFr1,216.

Adia, the temporary employment agency, jumped SFr12 to SFr233 on recent recommendations and active buying by one private bank. A SFr21 rise in Sulzer to SFr787 was attributed to buy recommendations and a warrant issue. Among second liners, Esec, which makes spe-cialised equipment for the semiconductor industry, rose SFr100 to SFr5,200 in further volatile trade.

MILAN finished littla changed, tracking bonds in

their recovery from earlier lows. The Comit index fell 175 to 625.08, while the real-time Mibtel index picked up from low of 9,931 to finish just higher at 9,993.

Rinascente. Italy's largest retailer, was L155 higher at L10,850 on rumours that the Agnelli family finance com-pany Ifil planned to sell its holding for a possible purchase of France's Eridania Beghin Say. Late in the day Mr

Umberto Agnelli, president of Ifil, denied talk of a sell-off Telecommunications stocks continued to weaken after their recent strong run. Stat lost L103 to L4.951 and Telecom Italia was L42 down at L2.82

STOCKHOLM featured a is per cent gain in forestries as the Affärsvärlden General index rose 12.0 to 1,788.6, but Autoliv, the car safety squip-ment maker, dived SKr26 or more than 7 per cent to SKr814 on indications of lower growth in airbags this year.

BRUSSELS saw steelmaker Clabecq drop a further BFr82 or 31 per cent to BFr180 on doubts over its capacity for survival. Banks reversed early gains and the Bel 20 index eased 1.48 to 1,684.51.

Written and edited by William

ASIA PACIFIC

Nikkei ahead as Taipei drops 1.4% on China threat

Tokyo

Speculative purchases and technical activity balanced earlier losses caused by the yen's rise against the dollar, and the Nikkei average turned up for the first time in three trading days, writes Emiko Terazono in

The 225-share index put on 97.77 at 20,751.15 after moving between 20,555.61 and 20,767.79. The dollar's decline below the Y106 level prompted profit-taking, while foreigners, discouraged by mounting uncertainty over the housing loan bailout, turned net sellers.

Volume totalled 600m shares against 516m. The Topix index f all first section stocks rose 1,89 to 1,602.89 and the Nikkei 300 by 0.60 to 299.05. In London the ISE/Nikkei 50

index was up 0.54 at 1,400.63. The investment trust unit of Daiwa Securities went for a newly launched investment trust fund linked to Index futures, prompting arbitrage buying. Trading of speculative stocks, meanwhile, led activity as the issues were bought by individual investors and brokerage dealers.

Overseas investors, who had been the main buyers of Japanese shares, took profits on large-capital steels and ship builders, which had led the market's recent rally. Nippon Steel relinquished Y7 at Y358 and Mitsubishi Heavy Industries Y6 at Y840.

Financials, which led the Nikkei's decline on Monday due to worries over the government's bailout scheme for the ailing housing loan companies, were mixed. Fuji Bank rose Y60 to Y2,370 bnt Sumitomo Bank fell Y10 to Y2,000 and Daiwa Bank lost Y16 to Y762. Brokers were also mixed, with Nikko Securities np Y10 to Y1,280 and Nomura Securities retreating Y30 to Y2,260.

Mitsubishi Plastics, a resin processor, forged ahead Y72 to Y693 on rumours of a development in integrated circuit cards. Kanebo, a cosmetics reports that it will enter the

Pound Sterling Index

187.32 182.85 126.32 144.83 144.85 187.32 182.85 126.32 166.50 162.35 170.25 186.19 174.81 131.63 309.55 187.18 153.42 105.99 121.52 155.38 129.20 292.06 201.79 231.33 234.05 185.52 161.10 125.11 143.44 177.54 186.38 181.83 125.68 144.10 149.36 170.45 186.38 174.94 131.79 131.79 131.79 447.68 436.89 307.88 346.13 444.40 255.12 251.98 174.06 189.57 231.97 79.62 77.72 53.89 61.86 93.94 152.71 149.06 102.98 118.07 102.98 121.63 182.71 185.26 212.42 208.83 182.71 185.26 212.42 208.83 182.71 185.26 212.42 208.83 182.71 185.26 212.42 208.83 182.71 185.26 212.42 208.83 183.84 184.76 309.25 354.56 280.66 447.69 427.31 295.20 338.46 349.31 195.40 181.45 111.53 127.88 156.84 310.80 303.18 209.45 240.15 319.54 222.56 217.24 150.08 172.07 188.82 221.20 225.68 156.84 129.03 167.44 129.48 148.47 188.82 231.18 225.68 156.89 178.74 226.68 259.08 252.90 174.71 200.32 259.08 238.89 231.29 159.78 183.20 189.18

238.85 231.29 159.76 183.20 203.06 198.21 136.93 157.00 276.37 269.77 186.37 213.99 166.26 162.31 112.13 128.56 181.50 177.15 122.39 140.33 252.79 246.72 170.44 195.36 183.24 179.66 123.56 141.97 281.42 284.46 186.51 225.32 189.53 179.14 123.79 141.90 204.24 199.36 137.73 157.91 236.68 230.98 199.57 182.69

199.13 167.32 215.35

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164.61 160.80 127.62 300.63 118.68 156.21 229.17 232.03 142.14 176.56 141.80 147.00 130.04 130.04 342.22 444.68 197.03 226.37 117.10 101.85 400.97 514.71 925.53 9809.57 210.01 206.56 61.62 51.24 176.88 201.81 355.38 303.16 332.31 346.48 125.88 155.08 234.81 316.13

234.81 316.13 170.22 165.85 147.79 189.74 176.71 223.76 199.56 261.28

78.02 53.80 223.97 153.86 449.97 309.12 420.76 289.07 159.38 109.50 297.33 204.28 215.54 148.07 167.12 128.55 223.76 153.72 252.72 173.62

0.8 293.72 173.82 189.58 261.28

0.8 290.96 158.67 182.40 200.72

-0.1 195.17 134.76 154.92 175.52

-0.5 286.11 182.82 210.18 242.35

0.3 181.38 110.87 127.45 114.11

0.1 175.77 120.75 138.81 137.43

0.8 246.45 169.31 194.63 254.20

-0.2 176.83 121.48 139.85 148.61

0.2 282.34 183.96 222.98 256.07

0.1 177.86 122.05 140.31 141.81

0.4 188.42 136.31 156.70 171.55

0.4 229.82 157.88 181.50 223.75

0.5 1.4 -0.8 -0.4 -1.0 0.1 0.7 0.1 0.8

.....261,28

3.85 1.50 3.26 1.56 2.41 1.80 3.10 3.18 3.34 1.62 3.18 4.50 1.33 3.81 1.90 1.97 4.15 4.15

0.8 -1.1 -0.9 -0.6 -1.0 0.8 -1.3 0.0 -1.0 -0.1

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2.16 3.02 1.82 1.16 2.03 2.16 2.38 2.87 2.06 1.91

semiconductor business with its developed integrated circuits for personal computers and video games.

Speculative favourites were

traded actively. Rhytbm Watch, the most active issue of the day, rose Y1 to Y616 and Kyokuyo put on Y40 at Y1,150. Some high-technology stocks rose in spite of the weaker dollar. Fujitsu by Y10 to Y1,110 and Sony by Y80 to Y6,500. Toshiba, bowever, lost Y5 to Y827 and NEC Y20 to Y1,260. In Osaka, the OSE average slipped 53.46 to 22,316.94 in vol-

Roundup

ume of 111.8m shares.

Worries about a possible military threat from mainland China left TAIPEI down another 1.4 per cent. The weighted index dropped 69.03 to 4,690,22,

The market had been fright-

ened by a report in a Hong Kong newspaper that China was planning a military exercise involving 400,000 troops on land opposite Taiwan. While most analysts did not

expect an invasion, any buildup of force by the Chinese in the past had been a cue for beavy selling. The market was also anxious ahead of the presidential election on March 23. **BOMBAY** turned sharply

lower after an untrue rumour, that the opposition Bharatiya Janata party leader L.K. Advani had been assassinated gave speculators the opportunity to take profits following the market's 14.4 per cent surge during the previous six The BSE-300 index finished

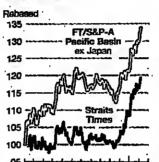
78.43 down at 3,154.89 as Reliance fell Rs17.50 to Rs202. HONG KONG closed off the day's lnw as a late rally in blue chips, rumoured to be the

object of covered warrant issues, erased some of the effects of earlier profit-taking. The Hang Seng index ended 92.74 down at 11,391.38. Turnover shrank to HK\$7.1hn. Among shares that climbed

late in the day, Hutchison fin-Swire A jumped HK\$1.25 to

199.18 238.79 177.52 204.32 244.61 295.02 115.10 171.87 138.80 183.39 252.15 254.80 150.54 184.81 255.90 291.81 143.29 184.11 171.78 205.14

Singapore



Feb 1995 Source; FT Extel

HK\$70 and Hang Seng Bank rose HK\$1 to HK\$73. Locally listed China-incorpo-

rated companies bucked the trend on rotational buying of laggards, the H share index surging 5.5 per cent. SINGAPORE ended a little firmer, but well below early

record-breaking highs as dealers took some profits from the top of the recent bull run. The Straits Times Industrial index finished 9.70 higher at 2,493.71, having peaked in early trade at a record intra-day level of 2,503.96, hreaching 2,500 for the first time.

KUALA LUMPUR failed to take heart at an unexpectedly modest November trade deficit although a late rally nudged the composite index into positive territory to close 2.91 up

SEOUL was pulled down by

declines in Samsung Electronics and profit-taking in banking shares, and the composite index finished 9.47 weaker at 881.21 in relatively active volume of 30.2m shares.

Samsung Electronics lost Won7,000 to Won135,000 on rumours that Merrill Lynch had reported softening demand for semiconductors.

SYDNEY was alightly lower, led by a decline in gold stocks. The All Ordinaries index eased 2.0 to 2,269.7. Volume was 247.6m shares worth A\$539.1m. Dealers said domestic investors were withdrawing from market activity ahead of the general election on March 2. The gold shares index fell

30.5 to 2,237.5, with Newcrest

Mining retreating 17 cents

to A\$6.28, Gold Mines of Kalgoorlie 4 cents to A\$1.53 and PosGold 6 cents to A\$3.45. The banking sector weak ened after recent gains on speculation that the Conserva tive opposition party might win the general election. Coca Cola-Amatil shed 24 cents to A\$12.50 ahead of

today's 1995 results. MANILA was affected by the overnight fall in Philippine Long Distance Telephone or Wall Street. As a consequence the composite index lost 4.21 at 2,915.03, in volume of 1.7bn shares worth 2.1bn pesos. BANGKOK was modestly

firmer in spite of a lack of foreign interest. The SET index gained 4.06 at 1,415.04 in turn-

"Samba achieves record results for the seventh successive year."

Directors' Report

1995 saw Saudi American Bank's profits increase for the seventh consecutive year reflecting continued success in our strategy of emphasising a process of product and technology innovation focusing on providing superior customer service.

Financial Results

Loans and Advances (net)

Total List-linus and Shareholden

Liabilities and Share Customer Deposits

Total Assets

Due to Banks Other Lubilities Shareholders' Funds

Net income for 1995 equals SR 1.072 million (1994) SR 1.014 million; 1993: SR 942 million). The Bank's growth in profits is a realisation of our goal of managing cost growth without sacrificing expansion into these market and product niches where we believe that SAMBA possesses an inherent advantage. This resulted in growth m both our gross recenues as well as not revenue from finids during the

We continue to bold a consensuive tiew on managing risks and ibls approach is mirrored in the increased charge for potential loan losses of SR 127.7 million i 1994, SR 72.4 million; 1993; SR 5.1 million i which we consider prudent in line with our expansion into never business areas and to cater for the present economic environment. However, the quality of our credit portfolio remains sound and we feel that the level of our reserves is adequate to absorb the impact of any unforescen adverse event in this portfolio.

The Bank's total assets at the year end of SR 40.8 million 11994-SR 43 6 hillion: 1993: SR 39.8 hillion) have been relatively stable over the past three years reflecting the Bank's increased focus on fee based products. Customer deposits of SR 30.9 billion (1994; SR 31.6 billion: 1993: SR 30.1 billion1 were slightly lower than in previous years while the loan portfolio stood at SR 17.4 billion 11994; SR 17.0 billion; 1993. SR 13.1 hillion). The Bauk's investment portfulio of SR 15.4 hillion at the year end (1994: SR 17.8 hillion; 1993: SR 17.3 inition) continues to reflect our bias towards investing in Sandi Government securities and high quality OECD government investment grade bonds.

Our bey financial indicators remain excellent, with return on equity of 28% 11994; 29%; 1993; 32%) which is one of the highest In the region and earnings per share of SR 44.711994; SR 42.3: 1993:

After taking into account the Bank's performance during the year and after retaining adequate funds for future expansion requireme the Board of Directors recommend a gross dividend of SR 628 million for the year 1995. After deduction of Zakat, this will yield a net diredend of SR 25 per share to the Saudi sharebolders.

During the financial year 1995, Saudi American Bank allocated

5R 2,042,082 as donations to various charitable, educational and other

Directors' remuneration for 1995 totals SR 1,260,000, Attendance fees for Board and Executive Committee meetings equal SR 81,000 and SR 111,000 respectively. Expenses including travel, board and lodging incurred by Directors for attending meetings of the Board and Executive Committee amount to SR 256,160. Compensation of Directors in their capacity as Executive Directors of the Bank amounts to SR 2.714.940

In addition to the above. Directors' fees and expenses for SAMBA's overseas subsidiuries amounted to SR 206.217.

Appropriation of Income The Board of Directors recommends that yet income for the year be appropriated distributed as follows:

Net income for the year Transfer to Statutory Reserve Transfer to General Reserve Proposed Dividend Transfer to Returned Farmings

Dividends shall be available for distribution immediately after approval in the shareholders at their Annual Ordinary General Meeting. Dividend claims may be presented for settlement at the Mak's registered bead office or any of its hranches.

At the Annual Ordinary General Meeting of the Bank's. sban-holders, held during March 1995, Messrs. Whinney Murray & Co. and Al lurated & Co. were appointed as joint auditors for the fiscal year ending 31 December 1995. The forthcoming Annual Ordinary General Meeting of shareholders shall re-appoint the existing auditors or appoint other auditors and determine their remuneration for the audit of the Bank for the year ending 31 December 7996.

Financial Highlights

1995 SE'000	1994 SR'000		1995 SR'000
521.198	6 001 mm	Statement of Earnings	38 000
	6,951,985	Operating Revenue	2 000 000
,381,077	17,013,375	Less: Operating Expenses	1.928,725
,504,921	17.954,543	Operating expenses	(729,380)
,441,264	1,094,908	Total Operating Income	1,199,345
,848,460	43,004,711	Provision for Lean Losses Net Income for the year ended	(127,662)
.892,145	31.624,993	December 31, 1995	1011100
279,457	6,726,559		
,600,082	1.620,066		
076,776	3.653.093		
848,460	43,604,711		

Saudi American Bank

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1,086,330

1994 SR'000

1.071.683

(270,009)

(170,000)

1628,000)

3.674